

# Surfside Commons

*Surfside Commons – an opportunity to create year-round rental housing on Nantucket close to the hospital, jobs, schools, recreation and retail locations.*



**Surfside Commons, Nantucket, MA**  
**Application for Comprehensive Permit Site Eligibility Letter**

**TABLE OF CONTENTS**

<b>Cover Letter for PEL Application from Surfside Commons, LLC,</b>	<b>1</b>
<b>MHP Information Form for Project Eligibility Letter (“PEL”)</b>	<b>4</b>
<b>APPENDED Section I: Sponsor Information</b>	
3. Experience of Sponsor	10
4. Outline of Development Team	11
5 .Sponsor Financial Disclosure Form (Corporations)	24
<b>Appended Section II: Site &amp; Project Information</b>	
3. Locus Information	28
4. Site Information	31
5. Project Information	34
<b>Appended Section III: Site Control Information</b>	
1. Purchase & Sale Agreement	35
<b>Appended Section IV: Project Financing Information</b>	
3. Proformas	46
<b>Appended Section V: Municipal Actions</b>	
1. Notification to Town	52
2. Notification to DHCD	54
3. Summary of Town Contacts and Community Outreach	56
4. History and Need for Affordable Housing on Nantucket	57
5. Nantucket Workforce Housing Needs Assessment, Summary of key finding and recommendations	59

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## **Reference Materials**

**Exhibit A**, Nantucket Workforce Housing Needs Assessment RKG, April 2015

**Exhibit B**, Summary of Newspaper articles, need for affordable rental housing

**Exhibit C**, Site Plans and GIS map

**Exhibit D**, Building Drawings

**Exhibit E**, Rental Market Feasibility report, John Ryan, July 2015

**Exhibit F**, Nantucket Neighborhood Density Analysis

**Surfside Commons LLC**  
c/o Atlantic Development  
62 Derby Street  
Hingham, MA 02043

August 19, 2015

Mr. Richard A. Mason  
Deputy Director of Lending  
Massachusetts Housing Partnership  
160 Federal Street  
Boston MA 02110

RE: Application for 40B Project Eligibility Letter for Surfside Commons, Nantucket,  
Massachusetts

Dear Mr. Mason,

On behalf of Surfside Commons, LLC, c/o Atlantic Development (the "Applicant"), enclosed please find our application for a Project Eligibility Letter ("PEL") for Surfside Commons in Nantucket, Massachusetts. As President of Atlantic Development, Manager of the Applicant, my signature below indicates my certification of the following:

1. I have completed the enclosed MHP PEL Information Form dated August 19, 2015, and, to the best of my knowledge, information and belief, the information set forth therein is true and accurate as of the date hereof. I further understand that MHP is relying upon this certification in processing the request for issuance of a Project Eligibility Letter in connection with the above-referenced Project.
2. I have reviewed MHP's requirements as outlined in the letter received from MHP on July 1, 2015, and I understand MHP's requirements in connection with (a) the application for the PEL and (b) the procedures to be followed after the issuance of the PEL, including the requirements for (i) the completion, within 90 days of project completion and prior to the permanent loan closing, of an audited cost certification by a certified public accountant who has been prequalified with the Department of Housing and Community Development ("DHCD") and (ii) the posting of a bond for completion of such cost certification as a condition of final approval by MHP under Chapter 40B.

We are excited to pursue this initiative. Due to its remote location, lack of available land and extremely high cost of housing, Nantucket has the most severe and urgent need for affordable housing of any community in Massachusetts. According to DHCD and Housing Nantucket, there are 4,896 year round housing units on Nantucket and only 121 affordable units, just 2.5 percent of the available year-round housing. There are another 6,754 seasonal housing units but most are summer vacation homes and not available to year-round workers. With only 121 SHI qualified affordable housing units on Nantucket, the need for more units is evident.

Although all communities should have a sufficient supply of affordable housing, most high price communities with little or no affordable housing can still retain workers for essential services such as, police, fire, schools and hospitals. These essential workers can commute from a town with moderately priced housing to the town with high priced housing. However, Nantucket is a unique case. A daily commute to Nantucket is not feasible due to a number of factors including the prohibitive cost of daily round trip tickets for a ferry or flight and the impediments to travel caused by unpredictable weather. There are a number of days every year that the ferries and flights are canceled with no way to get on or off Nantucket. As a result, people employed in essential services as well as other full time jobs must live on Nantucket. These workers must compete for housing in one of the highest priced communities in the country.

Housing affordability is most severe and unique to Nantucket where less than one-third of the housing is occupied by year round residents, more than two-thirds of the housing is used for seasonal vacation homes, and more than 92% of the land is already developed or restricted for development. Of the 8% of land potentially available for development, values range from \$500,000 to \$5,000,000 per acre and there are significant challenges related to zoning, the historic district, and environmental review.

In April 2015, Housing Nantucket, a local nonprofit, completed the “Nantucket Workforce Housing Needs Assessment”, which was prepared by RKG Associates, Inc. (“RKG”). Participants in the assessment process included all Nantucket selectmen, other town officials, planning staff, and other stakeholders. Much of the rationale for moving forward with this initiative comes from this report. Some of the key findings and its recommendations include:

- “Homeownership is cost prohibitive for 90 percent of the island’s year-round households.”
- “Nantucket needs to focus on creating reasonably priced rental housing for families if it expects to attract and keep workers over the long run.”
- Nantucket needs to “make better use of Chapter 40B to create affordable housing for working families.”

Some of the most desirable and expensive neighborhoods on the island, such as Town and Sconset, were built long ago as sustainable compact neighborhoods. Our architects and planners seek to use these existing on-island sustainable compact neighborhoods as models for Surfside Commons. Surfside Commons proposes 60 rental homes in three 2.5 story buildings and one 3.5 story building, including 15 affordable units. Amenities will include a full-time on-site manager, clubhouse, security system, pool, fitness center, landscaped open space, and storage facilities. This size, scale, and density are within the range of existing sustainable compact neighborhoods in Nantucket.

This new neighborhood will be along the Surfside Road bike path, close to the Surfside/Fairgrounds bus stop. Its central location will enable Surfside Commons residents to walk or bike to the schools, the hospital, and the Mid-Island retail and commercial areas as well as to many recreational activities.

Please initiate the "as is" property appraisal process. We understand that we will fund the cost of the appraisal as soon as you determine the appraisal fee. Also enclosed is a check to MHP in the amount of \$6,300 to cover the processing fee of \$2,000 and 40B Fund fee of \$4,300 ( $\$30/\text{unit} \times 60 \text{ units} = \$1,800 + \$2,500 = \$4,300$ ).

We look forward to working with Massachusetts Housing Partnership through the process. Please let us know if you have any questions or require any additional information.

Sincerely,

Donald J. MacKinnon  
*President*, Atlantic Development  
Manager of Surfside Commons LLC

**MHP**  
**Information Form for Project Eligibility Letter ("PEL")**

Project Name and Town/City Surfside Commons  
Nantucket, MA

Date of Completion of this Form: August 19, 2015

**Section I: Sponsor Information**

The entity applying for a PEL, referred to herein as the "Sponsor", must be either a public agency, a non-profit organization, or a limited dividend organization. Please indicate which of these organization types the Sponsor is (check one):

- ☐ Public Agency  
☐ Non-Profit Organization  
☒ Limited Dividend Organization

What is the name of the Sponsor?

Surfside Commons LLC

**1. Sponsor Information**

- a. Name of Sponsor Surfside Commons LLC  
b. Business Address c/o Atlantic Development  
62 Derby Street, Hingham, MA 02043  
c. Business Phone 781-741-5005  
d. Business Fax No. 781-741-5005  
e. Website Address, if any www.SurfsideCommons.com

**2. Principal Individuals.** Please provide the names and contact information for each of the principal owners and/or officers representing the Sponsor in this PEL application. Space for three such individuals is provided below – if there are more than three, please attach contact information about those persons on a separate sheet:

- a. Name Donald J. MacKinnon, President, Atlantic Development  
Title Manager of Surfside Commons LLC  
Office Phone 781-741-5005  
Cell Phone \_\_\_\_\_  
E-Mail Address DJM@AtlanticDevelopment.com
- b. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Office Phone \_\_\_\_\_  
Cell Phone \_\_\_\_\_  
E-Mail Address \_\_\_\_\_
- c. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Office Phone \_\_\_\_\_  
Cell Phone \_\_\_\_\_  
E-Mail Address \_\_\_\_\_

3. **Experience of Sponsor.** Please attach separately a description of the experience of the Sponsor and the individuals representing the Sponsor in development projects like the project for which the PEL is being sought. Include any other relevant experience in housing development and management, real estate, and finance that you deem relevant to the qualifications of the Sponsor in connection with the subject project. [\(See Page 10\)](#)
4. **Outline of Development Team.** [\(See Page 11\)](#)
  - a. Please attach separately a list of the key members of the development team for the project, including the project architect, project engineer, any consultants involved, the contractor, the proposed property management entity, and legal counsel. Please include resumes for these individuals and companies.
  - b. Related Parties: If any of the members of the development team are related to the Sponsor through common ownership, please so indicate on the attached list.
5. **Financial Disclosure Forms.** We do not require financial statements from Sponsors for PELs, but you are welcome to provide them. We do, however, require you to complete and return the attached Financial Disclosure Forms as follows:
  - a. A Corporate Financial Disclosure Form for each entity comprising the Sponsor [\(See Page 24\)](#)
  - b. A Personal Financial Disclosure Form for each principal owner of each entity comprising the Sponsor [Not Applicable](#)
6. **Organization Documentation Requirements for Nonprofit Sponsors.** If the Sponsor is a non-profit organization, we require the following materials: [Not Applicable](#)
  - a. The articles of organization for the organization.
  - b. Evidence of good standing with the Public Charities Division of the Office of the State Attorney General.
  - c. The conflict of interest policy for the organization.
  - d. A disclosure of all related parties, and contracts or other arrangements involved with these related parties, which currently exist or are anticipated in connection with the project.
  - e. A disclosure of all entities that are related to or affiliated with your organization by reason of common control, financial interdependence or other means.
7. **Fair Housing Experience.** Please describe, below, your experience to date in marketing and renting housing units in keeping with state and federal fair housing standards. Please note your experience in preparing Affirmative Fair Housing Marketing and Resident Selection Plans (AFHMP), and in conducting outreach and performing resident selection procedures (including administering the lottery process, determining eligibility under applicable subsidy programs, and waitlist management) in accordance with these standards. Please also disclose whether the Sponsor has ever been charged with a violation of fair housing requirements.

*NOTE: The guidelines promulgated by the Department of Housing and Community Development updated May 2013 (see attached) contain the following requirements of the development team with regard to the capacity to handle fair housing compliance:*

- *Your development team, staff, other entity, or individual responsible for fair housing compliance have not required intervention by a state subsidizing agency to address fair housing complaints or concerns nor had a finding or final determination against it for violation of state or federal fair housing law within the past five (5) years;*
- *Your development team, staff, or other entity has successfully carried out similar AFHMP responsibilities for minimum of three (3) projects in Massachusetts, or the individual contracted to carry out the AFHMP tasks has successfully carried out similar responsibilities for a minimum of five (5) projects in Massachusetts; and*
- *Your development team, staff, or other entity has the capacity to address matters relating to limited English language proficiency (LEP). This includes language access planning and*

*providing reasonable language assistance at no cost to the applicant, so that applicants with LEP may meaningfully apply and access the housing opportunity.*

Surfside Commons has not yet added a fair housing expert to the Development Team. We plan to conduct interviews over the upcoming months and add a qualified fair housing expert for these important activities. The selection will be completed before we need to begin outreach to the general population. The consultant will assist with marketing and tenant selection as well as preparation of an AFHMP for MHP's reviews and approval.

8. **Prior Permitting Experience at Site.** Please indicate if you have ever applied for permitting at the subject site, and been declined by the Town. If so, please explain how your proposal has been changed to address the Town's concerns.

No

## Section II: Site and Project

1. **Project Name:** Surfside Commons
2. **Address of Project:** 106 Surfside Road, Nantucket, MA
3. **Locus Information:**
  - a. Please provide a locus map and aerial photograph which identifies the site within the context of the Project's neighborhood. **(See Page 28)**
  - b. Please provide photographs of surrounding buildings and features that illustrate the physical context of the site. **(See Page 29)**
4. **Site Information:** Please provide the following:
  - a. site plan showing topography, existing building and proposed building footprints and paved areas for the Project, lot lines, existing and proposed roads and streets, wetlands and buffer zones, flood zones if any, or any other environmental constraints. **(See Exhibit C)**
  - b. drawings showing exterior elevations of the proposed buildings; **(See Exhibit D)**
  - c. the percentages of the lot that will be occupied, respectively, by buildings, by parking and other paved vehicular areas, and by open areas; **(See Exhibit C)**
  - d. approximate number of parking spaces; **(See Exhibit C)**
  - e. ratio of parking spaces to housing units; **(See Exhibit C)**
  - f. any environmental site assessments that have been performed; **In Progress**
  - g. narrative description by the project architect describing the site and the project's approach to the massing of the building(s), the project's relationship to adjacent properties, and the proposed exterior building materials; this narrative must be supplemented by supporting visual information, such as the aerial geographical information available from Mass GIS, which provides visual evidence about the massing of existing structures surrounding the subject parcel; **(See Pg. 31 & Exhibit C)**
  - h. a tabular analysis by the project architect of the existing zoning requirements and the waivers from existing zoning to be requested of the local zoning authority. **(See Pg. 33)**

5. **Project Information:** Please provide the following: [\(See Pg. 34 For a. b.c. & d.\)](#)
- Breakdown of project by number of units, further broken down by the mix of unit sizes (i.e., number of 1-bedroom units, of 2-bedroom units, etc.) and number of bathrooms per unit;
  - Breakdown of project by affordability categories – specifically how many units within each unit size group will be market-rate and how many will be affordable;
  - Average unit square footage for each unit size and affordability type;
  - Non-residential uses in the project, if any (e.g., common areas, commercial spaces, amenities), and the square footage allocated to each such non-residential use;
  - Typical building floor plans and unit floor plan layouts. [\(See Exhibit D\)](#)

### Section III: Site Control

State regulations require a sponsor applying for a PEL to demonstrate site control. Please identify the form of control which the Sponsor has for the site of the Project.

- ☐ Direct ownership by Sponsor\*
- ☐ Ownership by affiliate of Sponsor\*. If so, identify the affiliate here: \_\_\_\_\_
- ☐ Offer to Purchase\*\*
- ☒ Purchase and Sale Agreement\*\* [\(See Page 35\)](#)
- ☐ Other. Please describe: \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

\*If site is owned by Sponsor or an affiliate of Sponsor, please provide a copy of the deed conveying ownership.

\*\* If site is under an Offer to Purchase or a Purchase-and-Sale Agreement, please provide a copy of the executed document.

### Section IV: Project Financing

1. **Housing Subsidy Program.** Please identify the housing subsidy program(s) which MHP offers that you intend to use in financing and/or subsidizing this Project.

[MHP Fixed Rate Permanent Financing or 5 + 5 Program](#)

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If you need information about the housing finance programs at MHP that are available, please contact your MHP loan officer.

2. **Market Information** [\(See Exhibit E\)](#)

- Appraisal/Market Study.** If you have engaged an appraisal or market study of the property, please provide it.

**NOTE:** MHP is required under state regulations to engage, independently, an appraisal which values the property assuming the development rights in existence under current zoning prior to the issuance of a Comprehensive Permit. This appraisal will be subject to MHP's review and approval. If an appraisal has already been done, it may assist MHP or its appraiser in completing the required appraisal.

Please note that if the project is 20 units or less in size, MHP may waive this requirement if the Applicant provides a written request by the Chief Elected Official of the town or city in which the project is located. In substitution for the as-is appraisal MHP would require documentation supporting the acquisition cost; such documentation may be in the form of either a local tax assessment, a limited appraisal, or an opinion of value from a licensed real estate broker.

- b. **Market rental comparables.** Please provide MHP with a listing of market rents being achieved in properties comparable to the Project.

**3. Proformas: (See Page 46)**

- a. Development Budget. Please provide a detailed development budget showing the following:
- i. Sources of funds: first mortgage permanent loan, subsidy funds if any (please itemize each), equity from borrower or limited partners. If the construction-period financing has been identified, please indicate the intended construction lender and sources of funds expected during construction.
  - ii. Uses of funds: land acquisition, construction costs (broken down between sitework and building costs), and soft costs (identifying in detail the professional costs paid to third parties, the reserves proposed if any, the legal and closing costs, the financing costs, and the overhead and fees to be paid to the developer)
- b. Operating Budget. Please provide an operating budget, showing, upon completion, sources of operating revenue (broken down by rental income from each unit type, plus income from other sources), and operating costs (showing management fees, administrative costs, repair and maintenance costs, utility costs, taxes and insurance costs, and contributions to reserves if any).

<b>Section V: Municipal Actions</b>
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Please describe below the contact you have had to date with the Town/City regarding this Project.

(See Page 56)

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Please describe below any actions you are aware of which the municipality has taken to promote the development of affordable housing .

[\(See Page 57\)](#)

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Section VI: Sustainable Development Characteristics
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Please describe below any aspects of the Project which are in keeping with the ten Massachusetts Sustainable Development Principles (attached). [\(See Page 60\)](#)

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APPENDED Section I:  
Sponsor Information



### **3. Experience of Sponsor**

#### **Sponsor - Surfside Commons, LLC**

#### **Affiliate of Atlantic Development**

Atlantic Development has earned a reputation as one of the most highly experienced and accomplished real estate development firms in New England. They have a proven track record for quality and vision, and a history of outstanding performance.

Atlantic Development specializes in providing dynamic, innovative plans designed to stimulate economic growth in the communities where they develop. Atlantic Development's completed projects, valued at over a half billion dollars, have led to the creation of thousands of jobs, millions of dollars in new real estate tax revenue for the cities and towns where their projects are located, and increased economic activity for local merchants and businesses.

Atlantic Development, as a preferred developer for many of the top companies in the country, works collaboratively to create outstanding retail, senior housing, apartments, restaurants, office buildings, commercial and mixed-use communities.

A partial list of partner companies includes: Target, Avalon-Bay, Lowe's, Wal-Mart, Principal Financial Group, Stop & Shop, TD Bank, Sun Life Financial, Hannaford Bros., Erikson Living, BJ's Wholesale Club, Cape Cod Five, Roche Bros., Dick's Sporting Goods, Petco, Starbucks, and more.

To date, the initiatives of Atlantic Development total over four million square feet of retail, senior housing, apartments, restaurants, office buildings, commercial and mixed-use communities, including more than 3,000 units of housing.

Surfside Commons ,LLC  
c/o Atlantic Development  
62 Derby Street  
Hingham, MA 02043  
Phone:781-741-5005 Fax: 781-741-5151  
Contact: Donald J. MacKinnon  
Email: DJM@AtlanticDevelopment.com

#### **4. Outline of Development Team**

##### **Surfside Commons Project Team**

Atlantic Development has assembled a very qualified team of consultants almost all with over 25 years of experience in real estate development. Most team members also have extensive experience in developing and permitting of 40B housing communities.

Many members of the team members also have had experience working on development projects on Nantucket.

##### **Architect – John Sheskey, John Sheskey & Associates**

Sheskey Architects is an Architectural and Planning firm based in Quincy, Massachusetts established in 1981. Since that time our firm has designed facilities spanning a variety of industries and building types including more than 7,000 multifamily units.

Sheskey Architects portfolio includes projects throughout the New England area. We have worked with local developers and national firms on a variety of project types from adaptive reuse of existing buildings to master plans and new construction,

Our focus at this time is primarily residential projects of all sizes and types ranging from detached condominiums to large multi-family residential communities.

##### **Following are examples of recent projects:**

###### *H + W Apartments - Milton, Massachusetts - The Holland Companies*

A 40B project. Ninety apartments in two, three-story, wood-framed buildings with garage parking below. Zoning Board review is underway.

###### *West of Chestnut - Quincy, Massachusetts - Gate Residential*

169 apartments in two six-story, wood-framed, mixed-use retail and apartment buildings with garage parking in downtown Quincy. Construction underway.

###### *Queset Commons - Easton, Massachusetts - Douglas King Builders*

Fifty Apartments in a three-story wood-framed building with basement level parking below. Construction is underway.

###### *Mechanic Street - Quincy, Massachusetts - The Heritage Companies*

Thirty-two apartments in a four-story wood-framed building with parking at the first floor level. Site is located in Quincy center. Construction documents underway.

###### *68 Beale Street - Quincy, Massachusetts- The Heritage Companies*

Twenty-two apartments in a four-story wood-framed building with a parking garage at the first floor level. This is a transit-oriented project adjacent to the Wollaston Redline Train Station.

*Concord Mews – Concord, Massachusetts – Mill Creek Residential Trust*

A 40B project. Three hundred-fifty apartments and condominiums built in fourteen two and three-story wood-framed buildings with integrated garages. A clubhouse and an on-site sewer treatment building are included.

*One North of Boston – Chelsea Massachusetts – Gate Residential*

A two hundred thirty unit five-story wood-framed residential apartment building above a one-story parking structure.

*Village on the River - Canton, Massachusetts - John Marini Management Co. and*

*EA Fish Development* Fifty-six condominiums in a three-story wood-framed building and an integrated two-story clubhouse, all over a basement level parking garage.

*Mill Wharf Condominium – Scituate, Massachusetts – The Welch Company*

Twenty-four residential condominium units above first floor retail and cinema in two three-story wood-framed buildings with covered surface parking.

*The Cook Estate – Cohasset, Massachusetts- Abbott Real Estate Development*

Twenty-seven one and two-story detached residential homes in a condominium development.

## **Legal Counsel** – *Steven Schwartz, Goulston & Storrs*

Steven Schwartz is a Director, the Co-Chair of the firm's Real Estate Group, and a member of Goulston & Storrs's Executive Committee. Commercial real estate law is the focus of Mr. Schwartz's legal practice. He represents developers and lenders in the acquisition, development, sale, leasing and financing of commercial real estate throughout the United States. He regularly counsels developers on the requirements for satisfying the complex land use and environmental laws and regulations applicable to large-scale commercial projects throughout the New England region. A significant portion of Mr. Schwartz's current development practice involves working with clients on complex multifamily residential projects, including both market rate and affordable developments, large mixed-use projects and 40B projects. Mr. Schwartz represents both sponsors and equity investors in complex real estate joint ventures, and represents owners in mortgage financings. In addition to his involvement with traditional forms of real estate mortgage loans and refinancings, Mr. Schwartz has considerable experience in representing lenders in workouts of troubled real estate loans, including restructurings, deed-in-lieu transactions and foreclosures.

### **Representative Experience:**

- General representation of one of the largest multifamily REITs in the country in all aspects of acquisition, development and financing of numerous multifamily residential communities, including both stand alone and parts of large mixed use developments.
- Representation of real estate fund in its acquisition of more than 75 multifamily, industrial and office properties nationally, totaling more than \$1.5 billion.
- Representation of the greater Boston region's leading furniture retailer on all of its real estate related matters, including acquisition and development of destination furniture and family entertainment location, and 1,000,000 square foot warehouse and distribution facility.
- Numerous mortgage loans for national insurance, including financings of significant hotel, office, retail and multifamily properties throughout the New England region.

Goulston & Storrs's work includes permitting in essentially every community in Massachusetts as well as innumerable projects in downtown Boston. In recent years, we have permitted over 30,000 units of housing in Massachusetts (including thousands of affordable units for a range of for-profit and nonprofit clients as Chapter 40B projects). The firm has the Commonwealth's leading practice for large Chapter 40B development. Our 40B experience includes a broad array of projects across the Commonwealth, with local experience on projects including those in Acton, Andover, Bedford, Billerica, Braintree, Brookline, Canton, Cohasset, Concord, Danvers, Dedham, Falmouth, Foxboro, Framingham, Haverhill, Hingham, Hopkinton, Lexington, Lynnfield, Mansfield, Marlborough, Maynard, Natick, Needham, Newton, Peabody, Pembroke, Randolph, Sharon, Sherborn, Shrewsbury, Southborough, Stoughton, Tewksbury, Wayland, Westborough, Westford, Weymouth, Wilmington and Yarmouth. In addition to 40B projects, Goulston & Storrs has worked on numerous mixed income projects, where affordable units are included under inclusionary zoning and other government programs.

In addition to permitting work on 40B projects, Goulston & Storrs has unique depth and breadth in litigating – and in avoiding litigation – over the issues that arise in development under Chapter 40B. We have extensive experience litigating on behalf of 40B developers at all levels including numerous cases at the Housing Appeals Committee, Superior Court and Land Court, Appeals Court and Supreme Judicial Court.

Steven Schwartz  
Goulston & Storrs  
400 Atlantic Avenue  
Boston, MA 02110  
Phone: 617-482-1776  
Fax: 617-574-4112  
[www.goulstonstorrs.com](http://www.goulstonstorrs.com)

### **Legal Counsel – Andrew Singer, Singer & Singer**

Owner, Law Office of Singer & Singer, LLC. Lawyer Focusing on Zoning and Land Use Permitting and Planning; Conservation, Environmental, Wetlands, and Waterways Licensing; and Commercial and Residential Real Estate Transactions.

### **Legal Experience**

Work closely with regional planning and regulatory agencies, local Cape Cod communities, and the Commonwealth of Massachusetts on behalf of commercial and residential landowners and businesses, developers, and nonprofit and public institutions in connection with development and redevelopment projects in Barnstable County and Nantucket:

- Cape Cod Commission
- Change of Use Approvals
- Development of Regional Impact Approvals
- Development of Regional Impact Hardship Exemptions
- Project of Community Benefit Approvals

Local Zoning Boards of Appeals, Planning Boards, Site Plan Review Committees, Boards of Health, Conservation Commissions, Waterways Commissions, Historic District Committees, Architectural Review Committees, Traffic Review Committees, and Licensing Boards:

- Comprehensive Permits (affordable housing developments)
- Septic Permits and Variances
- Site Plan Approvals
- Special Permits (for use and to extend or change pre-existing nonconforming uses, structures or conditions)
- Subdivision Approvals
- Wetlands Orders of Conditions

• Zoning Variances. Create and guide project development teams, including appraisers; architects and building designers; civil, structural, and sanitary engineers; lighting engineers; surveyors; environmental consultants; landscape architects and designers; public relations consultants; transportation engineers; and others as needed to bring projects to successful resolutions. Represent businesses of all sizes from national Fortune 500 companies to regional and local business owners, as well as local institutions and individual landowners. Lead attorney on commercial and residential closings, including multimillion dollar real estate and asset transactions.

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26 Upper County Road  
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Tel: (508) 398-2221 Fax: (508) 398-1568  
[www.singer-law.com](http://www.singer-law.com)

**Legal Counsel** – *Arthur I Reade, Jr. and Whitney A. Gifford, Reade, Gullicksen,  
Hanley & Gifford, LLP*

Arthur I Reade, Jr. is a graduate of Harvard College, A.B. cum laude, 1959 and of George Washington University Law School, L.L.B., 1963. He received the highest score on the December 1964 bar examination and was admitted to the Massachusetts Bar in 1965. From 1965 to 1985, he practiced law in Boston. Since 1973, a portion of his practice has involved Nantucket land transactions, and since 1985, his practice has been entirely in Nantucket. He is a member of the Nantucket Bar Association and the Real Estate Bar Association of Massachusetts. Mr. Reade is widely respected on Nantucket land use matters; he is a Land Court Examiner and has qualified as an expert witness on title matters in the Land Court and Superior Court.

In addition to his legal practice, Mr. Reade also serves on the Board of Trustees of Nantucket Community Sailing, is former Secretary of the Nantucket Yacht Club, and is of counsel to the Nantucket Cottage Hospital.

Whitney A. Gifford is a graduate of Denison College, B.A., 1985, and of Case Western Reserve University School of Law, J.D., 1988, and was admitted to the Ohio Bar in 1988. His admission to the Massachusetts Bar was in 1994. He is a member of the American, Massachusetts, Nantucket and Ohio Bar Associations. He has visited Nantucket since his childhood, and has practiced law in Nantucket since 1994.

In addition to his legal practice, Mr. Gifford also serves as an Officer of the Nantucket Yacht Club, a Board Member of Nantucket Historical Association, an Advisor to the Nantucket Cottage Hospital, and is a past President of the Nantucket Boys and Girls Club.

With over one hundred years of combined legal experience on Nantucket, the attorneys of Reade, Gullicksen, Hanley & Gifford, LLP offer a full range of legal representation to the Island's year-round and seasonal residents, commercial businesses, and not for profit organizations. Our firm, which concentrates primarily on real estate conveyances, land use, and permitting matters at both the state and local level, also provides legal advice and services relating to landlord/tenant matters, small business formation and administration requirements, general contract drafting and negotiation issues, and probate, estate, and trust matters. We know that your legal matters will vary over the course of your lifetime – some may be simply handled with a few telephone calls, others may be much more complicated and lengthy to resolve. Whatever the requirements, Reade, Gullicksen, Hanley & Gifford, LLP will guide and counsel you. We will coordinate with your architects, surveyors, accountants, and other advisors as needed, in order to provide you with the highest level of professional and competent legal representation in your personal and business transactions.

6 Young's Way  
PO Box 269  
Nantucket, MA 02584  
T: 508-228-3128  
F: 508-228-5630

## **Landscape Architect – David Hawk, Hawk Design**

Hawk Design is a nationally recognized Landscape Architectural and Land Planning firm based in southeastern Massachusetts. Founded in 1997, the firm's work focuses on the diverse living and working environments that define our daily lives. Initially, our successes encompassed the full spectrum of the housing field. The portfolio of the firm ranged from individual private residences to premiere resorts and resort communities, from existing property renovations to new upscale rental communities, in various settings from urban to rural. Our clients have varied from the modest single family homeowner to the largest community developers in the country. As our expertise has matured, our practice has evolved to include commercial, retail, and academic facilities. Our design philosophy has easily translated into our projects throughout the United States. We are a full service design firm, capable of managing projects from conception to completion.

At Hawk Design, our philosophy is simple. We strive to have an acute understanding of both the needs of the client and the opportunities each piece of land has to offer. Our collaboration is as personal as warranted with a residential homeowner and as broad reaching as participating in the role of an effective contributor to a design team in larger multidiscipline endeavors. By initially developing solid design concepts we are able to create timeless settings and spaces that reflect the needs of our clients.

David Hawk has appeared on the nationally syndicated "This Old House" renovation show and has also appeared on programs featured on HDTV. He remains active in speaking engagements to a variety of audiences from conventions to specialty groups.

Our projects have appeared in a number of popular publications including: Builder Magazine, Better Homes and Gardens, This Old House, Professional Builder & Remodeler Magazine, The New York Times, Cape Cod Home, and the Boston Globe Magazine. David was honored to be asked to be a contributor to the book "Are You Prepared For The Recovery" by author Richard G. Carlson, MIRM, CAASH, CMP published in 2009.

Hawk Design continues to be recognized for our accomplishments in the housing industry by receiving awards from the National Home Builders Association and the National Sales and Marketing Counsel.

We thoroughly enjoy the work we do. We are committed to enriching the lives of those who engage our firm to be part of achieving the most appropriate design for their property and lifestyle. We would love to have the opportunity to be involved in your special project or property.

Hawk Design, Inc  
508-833-8800  
[www.hawkdesigninc.com](http://www.hawkdesigninc.com)

**Civil Engineers** – *Joshua G. Swerling and William D. Goebel, Bohler Engineering*

Bohler Engineering is a multi-disciplined consulting engineering firm with nearly 500 experienced licensed professionals and support staff. Our firm has provided quality civil engineering, surveying, planning, landscape architecture, project management and related site design services throughout the Eastern United States for over 30 years.

Through our 20 offices spanning the East Coast, we assist our clients in navigating the land development process from site evaluation and due diligence to project completion. We strive to understand our clients' business to assist them in meeting their development and financial goals, providing consistent value through the development process.

Over the years and across state lines, Bohler's commitment to quality and customer service remains constant. Our best working relationships range from the largest corporations and developers in the world to single, stand alone businesses, from individual sites to program development work.

Bohler understands that companies succeed when qualified professionals collaborate toward a common goal. Our goal is excellence. Our work, our vision, and our energy focuses around our Core Values, which include Quality, Customer Service, Staff Development, and Efficiency, and lead to excellence in everything we do.

**WILLIAM D. GOEBEL, PE, BRANCH MANAGER/PRINCIPAL**

Bill has been with Bohler for over 20 years, beginning his career in New Jersey where he helped define the company's growth in both the New Jersey and New York markets, and later moving to Massachusetts as the Branch Manager of the Southborough office. Bill also led the opening of Bohler's Albany, NY and Fort Lauderdale, FL offices while in his position in New England. He continues to lead the development of Bohler's geographic reach.

His daily responsibilities include oversight and management of all operations in the Southborough and Albany offices and incorporating his extensive experience in all aspects of site planning, permitting, subdivision and development related engineering of projects including: institutional, municipal, commercial, multi-family, industrial, and residential. With a hands-on approach, Bill works directly with Bohler project managers and staff to achieve the goal of complete Client satisfaction.

His leadership and commitment to quality have made him a valuable partner and example of the Bohler tradition and Core Values we stand to uphold.

[bgoebel@bohlereng.com](mailto:bgoebel@bohlereng.com)

**EDUCATION:**

B.S. Civil & Environmental Engineering, Clarkson University

JOSHUA G. SWERLING, PE, ASSOCIATE/SENIOR PROJECT MANAGER

Josh currently serves as an Associate in Bohler's New England office. As such, he is responsible for project development and design consisting of ongoing client contact throughout projects, as well as detailed design functions and permitting of projects. With over a decade at Bohler and over twenty years in the industry, he has significant experience in site planning, subdivision and miscellaneous engineering on projects throughout New England. Project types include a variety of municipal, commercial, retail, industrial, multi-family, mixed-use and residential. In addition to his technical responsibilities, Josh manages engineering support staff and project contracts.

His specific design experience includes site planning, conceptual layout and traffic circulation, storm sewer design, sanitary sewer design including gravity, force mains and septic systems, storm water management including retention and detention systems, potable water supply distribution & treatment, retaining walls and seawalls, flood plain and stream encroachment analysis, horizontal and vertical roadway alignments, grading, preparation of construction details, earthwork analysis, lighting and landscaping design, preparation of soil erosion and sediment control plans and other miscellaneous related engineering design.

His technical savvy, positive attitude, and dedication make him a valuable asset to the Bohler team and to his Clients.

jswerling@bohlereng.com  
B.S. Civil Engineering, Northeastern University  
DEP Approved Soil Evaluator  
OSHA Forty-Hour  
Hazardous Waste  
Operation and Emergency Response Certified

Bohler Engineers  
352 Turnpike Road  
Southborough, MA 01772  
Phone: 508-480-9900  
MA@BOHLERENG.COM

**Real Estate Consultant, Margaret G. Murphy, Community Resources Group, Inc.**

Margaret Murphy is the founder and president of Community Resources Group, Inc. (CRG), a real estate consulting firm that serves the public sector, corporations, colleges, schools, hospitals and real estate firms. Margaret has worked throughout the Northeast since 1989. In the past 26 years, the firm has assisted its clients in permitting more than eight million square feet of retail, office, golf course, college, grocery, senior housing and residential development.

Margaret Murphy and her associates at CRG have led the outreach efforts for many real estate developments throughout the Northeast. They have also managed several town meeting campaigns and worked on many statewide referendums and elections. Their extensive experience and knowledge of permitting, traffic, water, sewer and environmental issues allows them to assist their clients in a number of ways. They have assisted their clients in a number of matters such as managing abutter and neighbor groups, organizing both celebratory and outreach events and a wide variety of research. The firm has also followed a variety of municipal and legislative issue for its clients. They have also managed the approval process for a number of smaller developments in Massachusetts.

Margaret Murphy has also worked with a number of housing activists and organizations including Citizens Housing and Planning Association (CHAPA), Massachusetts Housing Finance Agency, the Massachusetts Department of Housing and Community Development, and the Greater Boston Real Estate Board to increase the production of market rate and affordable housing. She served as the Executive Director of the Affordable Housing Business Coalition.

She has worked on a number of Chapter 40B and Chapter 40R developments throughout the Commonwealth and has assisted her clients in the permitting of over 5,000 units of housing. At the state level, she has worked with other housing activists to promote legislative changes to Chapter 40B that will ensure the continued production of affordable apartments, homes and condominiums.

CRG has prepared a multitude of materials for its clients including PEL and ZBA applications, Power Point and video presentations and other collaterals such as brochures, websites, etc. The firm has worked with municipal entities to produce appropriate Inclusionary Housing Plans.

Margaret's lengthy experience as a local town official and her 26 years as a real estate professional enable her to understand and respond to local issues and concerns. For over 20 years, she has served on a number of local boards and committees in her home town, including nine years on the Needham School Committee, 15 years as an elected Town Meeting Member, Chair of a PIP group for a contaminated site, a member of the Community Preservation Committee and the chair of the Needham Comprehensive Community Housing Committee. She is a member of the League of Women Voters.

88 Edgewater Drive, Needham, MA 02492 Phone: 781-449-6260,

Contact: Margaret Murphy, [comres@comcast.net](mailto:comres@comcast.net)

**40B Consultant, Michael Jacobs, MHJ Associates**

Michael Jacobs has been a practicing professional in the affordable housing field for over 39 years. In addition to his current consulting practice as principal of MHJ Associates, he has held a range of positions in both the public and private sector, including senior positions at the Boston Housing Authority, the Massachusetts Housing Finance Agency, the ADS Group, a healthcare/assisted living provider and National Development, a commercial and residential real estate development firm.

MHJ Associates provides development and financial consulting on both rental and for-sale projects to public, non-profit and for-profit clients. Services include securing debt and equity as well as providing technical assistance to municipalities and developers in the permitting of comprehensive permit projects throughout Massachusetts. Recent projects have involved both tax-exempt and conventional financing, 4% and 9% Low Income Housing Tax Credits, state LIHTC's, federal and state historic credits and a variety of subordinate debt loan programs. In addition to his consulting practice, Mike serves as a vice chairman of the Brookline Housing Authority and is a member of the Town of Brookline's Housing Advisory Board.

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**Construction Manager-** Randy Bern and Peter Koska, Chilton Development

Chilton Development Co., is pleased to offer one of the finest construction, home and remodeling services available today.

Chilton Development is pleased to offer one of the finest custom built homes and remodeling services available today. Our expertise in producing a home of superior quality and timeless beauty comes from experience in building and remodeling over 150 homes in the past 14 years. Our team is composed of a compliment of builders, civil engineers, landscape architects and on-site supervisors with practical field experience totaling 75 years.

Chilton's primary goal is to establish a tradition of lasting relationships based on trust, quality craftsmanship and customer satisfaction. We at Chilton Development take a great deal of pride in adding our clients' invaluable input to our decades of professional experience to develop the best plan and price possible.

Randy Bern is President and founder of the Chilton Development Company, Randy has been involved in the construction business since he was a very young boy. His family has owned a construction company, a concrete manufacturing company and a real estate management company. After receiving his Bachelor of Science Degree in Civil Engineering from the University of Vermont, he founded Chilton Development 14 years ago. He has been President and CEO ever since and has earned the respect of all of his colleagues and clients.

Peter Koska, Director of Development for Chilton received a Bachelor of Science Degree in Landscape Architecture from the University of Massachusetts. He has continued his education in construction management at Wentworth Institute of Technology. He also has studied construction law at Northeastern University. Mr. Koska received a National Award, presented to him by Nancy Reagan in 1981. He was in charge of construction of the main service building at the Chelsea Navy Yard and the Pavilion in the Shipyard Park at the Charlestown Navy Yard.

Chilton Development Company, Inc.

Ph: 781.878.1113 – Fax: 781.878.1158

Email: [info@chiltondevelopment.com](mailto:info@chiltondevelopment.com)

**Public Affairs Consultant, Taylor Howell, HTM Communications**

HTM Communications is a public affairs service provider that plans, executes and monitors results of media campaigns and PR initiatives. Taylor Howell, founder and President, oversees the HTM team that collaborates with clients to grow their networks and deliver targeted communication strategies. Services include public affairs consulting, social media optimization, blogging, news releases, video production services, website design, media coverage and expert quotes, speech writing, awards and recognitions, research, writing, brand management and consultation.

Taylor applies her public affairs skills at HTM Communications through her work with a number of Boston-based organizations including, but not limited to, The South Shore YMCA, Scribe Partners, Hint Interactive LLC, KAMM LLC, SmartCode, PES Associates Inc. and Atlantic Development. Recent initiatives included working one-on-one with environmental engineering firm PES Associates Inc. to develop their overall brand strategy and build awareness for their services, this led to their 2015 Boston Business Journal Best Mixed-Use Project award. In continuation, Taylor developed their marketing strategy and worked to further grow their networks through social media optimization, web design, blogging, brand management and consultation.

Community outreach endeavors include the 2012 U.S. Senate campaign for Scott Brown and public affairs activities with McDermott Ventures LLC for Suffolk Construction, CSX Corporation and The Chiofaro Company.

Taylor serves as a board member for the Thomas Crane Public Library Foundation, using her community outreach experience to serve Quincy Massachusetts residents by strengthening the mission and the resources of the library. In addition, Taylor also serves as the Boston president for Femprofessionals LLC; an organization that serves to connect and empower women in business. Her contributions for both organizations are evident through events and outreach programs she oversees and executes.

Taylor Howell

Phone: 781-635-8112

Email: [taylor@htmcomms.com](mailto:taylor@htmcomms.com)

## Corporate Sponsor Credit Release Authorization

**NOTE:** *This Credit Reference Authorization must be submitted for **each** corporate sponsor of the application to MHP for a Project Eligibility Letter (PEL).*

Corporation Name Surfside Commons LLC  
Address c/o Atlantic Development, 62 Derby Street, Hingham, MA 02043  
Phone Number 781-741-5005  
Tax I.D. Number 47-4805412

I, Donald J. MacKinnon of President of Atlantic Development, Manager of Surfside Commons LLC ("Sponsor"), hereby give my consent for Massachusetts Housing Partnership, and its assigned Credit Bureau(s), to have any and all information regarding checking and/or savings accounts, credit obligations, and all other credit matters which they may require in connection with the Sponsor's application for a Project Eligibility Letter. This form *may be* reproduced, and that copy shall be as effective as the original consent which I have signed.

I am aware that the assigned Credit Bureau may call me to clarify information obtained in my credit history or application, in order to expedite the process of the application.

SPONSOR: Surfside Commons LLC

By: 

Date: 8/19/15

Its: President of Atlantic Development, Manager of Surfside Commons LLC  
Hereunto Duly Authorized

# Sponsor Financial Disclosure Form (Corporations)

Form must be filled out for each corporate Sponsor of the application to MHP for a Project Eligibility. If there is more than one such corporate Sponsor, a separate disclosure form must be completed and submitted for each one.

The Sponsor here: **Surfside Commons LLC**

**ANSWER THE FOLLOWING QUESTIONS:**

Is the Sponsor a defendant in any suit or legal action? ☒ NO ☐ YES (attach explanation)

Is the Sponsor the subject of any governmental investigations or administrative proceedings? ☒ NO ☐ YES (attach explanation)

Is the Sponsor presently subject to any unsatisfied judgments or tax liens? ☒ NO ☐ YES (attach explanation)

Has the Sponsor ever been through bankruptcy or settled any debts for less than the amount owed? ☒ NO ☐ YES (attach explanation)

Are all of the Sponsor's state and federal income taxes current? ☐ NO ☒ YES (attach explanation)

Are any of the Sponsor's income tax returns currently being audited?  
If yes, what years? \_\_\_\_\_ ☒ NO ☐ YES (attach explanation)

Is the Sponsor a maker, co-maker or guarantor on any financial obligation that is in default or has been demanded? ☒ NO ☐ YES (attach explanation)

Has the Sponsor ever received an audit with a going concern reservation within the last three years? ☒ NO ☐ YES (attach explanation)

Has any mortgage loan on a property owned by the Sponsor ever been in default by one of its present owners? ☒ NO ☐ YES(attach explanation)

Is there any pending litigation with respect to any properties owned by the Sponsor? ☒ NO ☐ YES (attach explanation)

Are there any outstanding liens or judgments against any property owned by the Sponsor other than mortgage liens? ☒ NO ☐ YES (attach explanation)

If any principals of the Sponsor or entities affiliated with the Sponsor would answer "Yes" to any of the questions above (except #5), please explain.

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**NON-PROFIT ORGANIZATIONS ANSWER THESE QUESTIONS:**

12. Are there repeat or on-going sources of revenue to support organizational operations ☐ NO ☐ YES (attach explanation)
13. What is your total operating budget this fiscal year? \_\_\_\_\_  
How much of it needs support by either fundraising and/or charitable donations? \_\_\_\_\_
14. Has the Executive Director served for greater than two years? If no, explain relevant experience and provide resume. ☐ NO ☐ YES
15. Is there a senior finance person on staff?  
If no, provide resume of the person overseeing the organization's finances ☐ NO ☐ YES  
If yes, have they served for at least 2 years? ☐ NO ☐ YES
16. Are management prepared financials generated monthly? ☐ NO ☐ YES
17. Are financials and cash flow reviewed by Finance Committee and/or Board? ☐ NO ☐ YES  
If yes, how often? \_\_\_\_\_

*The undersigned affirms, on behalf of the Sponsor, under the penalties of perjury, that the information on this application for a Project Eligibility Letter and on any accompanying statements is true, complete, and correct. The undersigned agrees to notify MHP of any material changes in the information shown on this application or on any accompanying statements. The undersigned authorizes MHP to gather and collect any information, including without limitation, any credit reports required to determine the creditworthiness of the Sponsor or any affiliated entities of the Sponsor.*

**SPONSOR:** Surfside Commons LLC

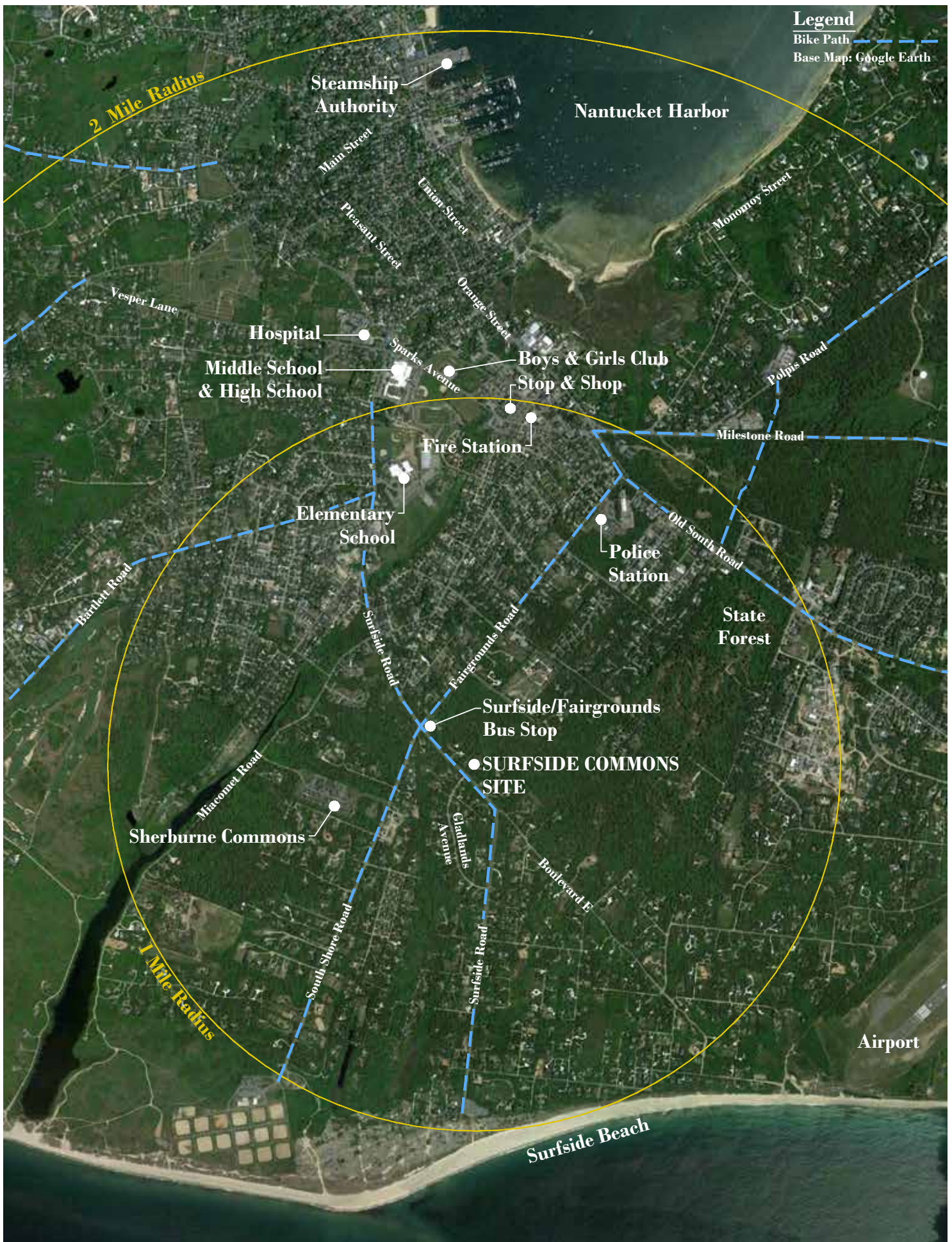
**By:**  **Date:** 8/19/15

**Its:** President Atlantic Development, Manager Surfside Commons LLC  
Hereunto Duly Authorized

**List of Bank Financial References (or other lending company or individual) for Atlantic Development affiliates**

[illegible]

Appended Section II:  
Site & Project Information



### 3. Locus Information

b. Surfside Commons will be along the Surfside Road bike path, close to the Surfside/Fairgrounds bus stop. Its central location will enable Surfside Commons residents to walk or bike to the schools, the hospital, and the Mid-Island retail and commercial areas as well as to many recreational activities. Photographs of the surrounding buildings, features and amenities are shown below to illustrate the physical context of the site.





#### 4. Site Information, g. narrative description

The proposed Surfside Commons is located at 106 Surfside Road, Nantucket. It is comprised of four apartment buildings organized around a central open space core in the middle of the property with a pool; resident amenity area; and a clubhouse/leasing center adjacent to the open space. Building sideyard setbacks from adjacent residential properties are 15', the same as required in the underlying zoning district.

Vehicular access will be provided through an entry from Surfside Road at the existing entrance to the property across from the Gladlands Avenue entrance. Parking and emergency vehicle access is provided at both sides of each residential building with a looped circulation system. A vegetative buffer in the 15' side yard setbacks will provide additional visual screening from neighboring homes. The site plans and Google Earth GIS map, as shown on Exhibit C, provide details of the design elements and massing of existing structures.



The Nantucket style clubhouse is designed to be welcoming from both the main access drive and the residential portion of the site. The amenity area and lounge are carefully sited in the clubhouse for convenient use by residents and overlook a pool and recreational area. The attractive exterior design of the clubhouse building combined with the state-of-the-art interior design will encourage the residents to gather and reinforce pedestrian connections across the site.

The residential buildings are designed with a Nantucket feel. The architecture of each residential building is articulated with changes in the exterior wall plan, includes wood shingles, topped by a sloped, asphalt-shingled roof with multiple gables, traditional shingles, bays, and projecting and recessed balconies. The design looks to reduce the mass and scale of the exterior material.

Within each building, the typical floor plan provides access to units with egress stairs. Typical one, two and three bedroom apartment homes designed with open kitchen/living areas and comfortable bedrooms and bathrooms with large closets. Each unit will have an in-unit washer/dryer and large windows that provide abundant natural light.



The community will include many design elements from the United States Green Building Council. These include incorporating high quality low VOC finishes and individual environmental

controls. Each unit will also contain modern energy efficient appliances, heating and cooling, and Energy Star lighting fixtures to add to an overall sense of luxury and quality.

The 2 ½ to 3 ½ story height with use of the loft area is an efficient use of the buildings and typical of the neighborhoods on Nantucket. The massing of buildings with a density of approximately 28,921 SF of living space per acre is in the range of other sustainable compact neighborhoods on the island. Some of the existing compact neighborhoods on Nantucket have density in excess of 30,000 SF of living area per acre and are considered some of the more desirable neighborhoods to live in. Exhibit F, Nantucket neighborhood Density Analysis, provides a summary of these neighborhoods along with the average assessed value for the homes in the neighborhood.



There are no wetlands within 100' of the site. A small approximately 3,000 SF area in the easterly portion of the site is designated as NHESP Priority Habitats of Rare Species, the area has been fenced off and no work is proposed in that area. Municipal water and sewer are available near the Surfside Road and Fairgrounds Road intersection. Electric, cable and internet service are available along Surfside Road. In ground propane gas is planned to be installed on site.

## Site Information, h. tabular analysis

Surfside Commons - Zoning Analysis

Zoning District: Residence Front: LUG-2, Portion of Rear: LUG-3.

	Required (LUG-2)	Required (LUG-3)	Proposed	Compliance
Minimum lot Area	80,000 sf	120,000 sf	108,528 sf	Yes
Lot Area per dwelling	-	-	-	-
Minimum Frontage	150 ft	200 ft	342.50 ft	Yes
Min Front Yard Setback	35 ft	35 ft	10.6 ft	By Waiver
Min Side Yard Setback	15 ft	20 ft	15.5 ft 5 ft <sup>(1)</sup>	By Waiver
Min Rear Yard Setback	15 ft	20 ft	22.7 ft	Yes
Max Building Height	30	30	±44 ft <sup>(2)</sup> ±55 ft <sup>(3)</sup>	By Waiver
Ground Cover Ratio	4 %	3 %	25%	By Waiver
Permitted use	Single Family		Apartment Building	By Waiver
Parking	1 space per bedroom <sup>(4)</sup> (132 bedrooms)		91	By Waiver
Max Number of Signs	1		Monument directional	By Waiver
Flood Plain District	Not applicable			
Land Fill Permit	Not applicable			
Other				

<sup>(1)</sup> abutting Town owned former Paper Street

<sup>(2)</sup> 3 – 2½ story structures

<sup>(3)</sup> 1 – 3½ story structure

<sup>(4)</sup> Based upon Garage Apartment parking requirements per the Zoning Bylaws

## 5. Project Information

Nantucket 40B Atlantic Development  
Proposed Unit Mix and Operating Assumptions

Municipality: Nantucket

Unit Mix		Units	%Total	NSF	Total NSF	Annual Income	Monthly Total Rent	Utility Allowance	Gross Monthly Rent	Net Monthly Rent/SF
0 BR	1 BA affordable 30%	\$0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA affordable Sec.8	0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA affordable MRVP	0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA affordable 50%	0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA affordable 60%	0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA affordable 80%	1	2%	597	597	\$14,294	\$1,191	\$135	\$1,326	\$2.22
0 BR	1 BA Moderate	0	0%	0	0	\$0	\$0		\$0	\$0.00
0 BR	1 BA Market	0	0%	0	0	\$0	\$0		\$0	\$0.00
Sub-Total 0 BR		1	2%		597	\$14,294	\$1,191			
1 BR	1 BA affordable 30%	0	0%	0	0	\$0	\$0		\$0	\$0.00
1 BR	1 BA Sec. 8	0	0%	0	0	\$0	\$0		\$0	\$0.00
1 BR	1 BA affordable MRVP	0	0%	0	0	\$0	\$0		\$0	\$0.00
1 BR	1 BA affordable 50%	0	0%	0	0	\$0	\$0		\$0	\$0.00
1 BR	1 BA affordable 60%	0	0%	0	0	\$0	\$0		\$0	\$0.00
1 BR Den (K)	1 BA affordable 80%	1	2%	888	888	\$14,919	\$1,243	\$177	\$1,420	\$1.60
1 BR Den (K)	1 BA Live-in Manager	1	2%	888	888	\$0	\$0		\$0	\$0.00
1 BR Den (H)	1 BA Market	1	2%	1,154	1,154	\$27,000	\$2,250		\$2,250	\$1.95
Sub-Total 1 BR		3	5%		2,930	\$41,919	\$3,493			
2 BR	2-2.5 BA affordable 30%	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR	2-2.5 BA Sec. 8	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR	2-2.5 BA affordable MRVP	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR	2-2.5 BA affordable 50%	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR	2-2.5 BA affordable 60%	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR - 2BR Den	2-2.5 BA affordable 80%	9	15%	1,189	10,699	\$160,731	\$13,394	\$217	\$1,705	\$1.43
2 BR	2-2.5 BA Moderate	0	0%	0	0	\$0	\$0		\$0	\$0.00
2 BR - 2BR Den	2-2.5 BA Market	31	52%	1,189	36,854	\$1,041,600	\$86,800		\$2,800	\$2.36
Sub-Total 2 BR		40	67%		47,553	\$1,202,331	\$100,194			
3 BR	2.5 BA affordable 30%	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA Sec. 8	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA affordable MRVP	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA affordable 50%	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA affordable 60%	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA affordable 80%	4	7%	1,349	5,394	\$82,097	\$6,841	\$259	\$1,969	\$1.46
3 BR	2.5 BA Moderate	0	0%	0	0	\$0	\$0		\$0	\$0.00
3 BR	2.5 BA Market	12	20%	1,349	16,182	\$468,000	\$39,000		\$3,250	\$2.41
Sub-Total 3 BR		16	27%		21,576	\$550,097	\$45,841			
Total Units		60	100%		72,656	\$1,808,641	\$150,720			
Unit Summary		Total Units	% of Units	of Units/SF						
		Total 30%	0	0%	0%	\$0				
		Total Section 8	0	0%	0%	\$0				
		Total MRVP	0	0%	0%	\$0				
		Total 50%	0	0%	0%	\$0				
		Total 60%	0	0%	0%	\$0				
		Total 80%	15	25%	24%	\$272,041				
		Total Manager	1	2%	1%	\$0				
		Total Market	44	73%	75%	\$1,536,600				
		% of Units UHTC-Eligible		0%	0%					
Percentage UHTC Eligible										
Commercial		\$0	0 s.f.			\$0				
Other Income										
Parking		\$0	0			\$0				
Laundry		\$0	0			\$0				
Storage		\$10	4505			\$45,050				
Total Commercial and Other Income						\$45,050				
GROSS POTENTIAL RESIDENTIAL INCOME						\$1,853,691				
Vacancy										
Affordable		5%				\$18,602				
Market/Mod		5%				\$76,830				
Other Income		5%				\$2,253				
Commercial		10%				\$0				
EFFECTIVE RESIDENTIAL RENTAL INCOME						\$1,761,007				
Residential Operating Expenses							Monthly Total	Per Unit Annual		
Total Residential Operating expenses (net meals and housekeeping)										
Management Fee		5%				\$88,050	\$7,338	\$1,468		
Administrative						\$90,820	\$7,568	\$1,514		
Maintenance						\$103,200	\$8,600	\$1,720		
Resident Services						\$0	\$0	\$0		
Utilities						\$66,000	\$5,500	\$1,100		
Taxes						\$96,000	\$8,000	\$1,600		
Insurance						\$25,500	\$2,125	\$425		
Replacement Res.		\$325				\$19,500	\$1,625	\$325		
Housekeeping (w/wk/market)		\$0 note: \$55/week/unit				\$0	\$0	\$0		
Meals (1 per day)		\$0				\$0	\$0	\$0		
Total Expenses (including meals and housekeeping)						\$489,070	\$40,756	\$8,151		
Net Operating Income (including cost of meals/housekeeping)						\$1,271,936				
Debt Service						\$1,017,549				
Cash Flow						\$254,387				
DSCR						1.25				

Appended Section III:  
Site Control Information



From the Office of:  
Jonathan W. Harlow, Jr.  
Fellman Law Group, P.C.  
54 Jaconnet Street  
Newton, MA 02461

STANDARD FORM  
PURCHASE AND SALE AGREEMENT

This 10<sup>th</sup> day of August, 2015.

1. PARTIES  
Whitney A. Gifford, Trustee of Nantucket 106 Surfside Road Realty Trust  
(the "SELLER") agrees to sell, and  
Surfside Commons, LLC, a Massachusetts limited liability company  
(the "BUYER") agrees to BUY, upon the terms hereinafter set forth, the following described premises:
2. DESCRIPTION  
That certain parcel of land now known and numbered as 106 Surfside Road, Nantucket, Massachusetts, being shown as a parcel identified as "Total Area 106,533 S.F.+-" on a plan entitled "Perimeter Plan of Land in Nantucket, Mass., Prepared for Nantucket 106 Surfside Realty Trust," dated May 15, 2015, by Blackwell & Associates, Inc., recorded with the Nantucket County Registry of Deeds in as Plan No. 2015-43 (the "Premises").
3. BUILDINGS, STRUCTURES, IMPROVEMENTS, FIXTURES  
Included in the sale as a part of the Premises are the buildings, structures, and improvements now thereon.
4. TITLE DEED  
The Premises are to be conveyed by a good and sufficient quitclaim deed running to the BUYER, or to the nominee designated by the BUYER by written notice to the SELLER at least seven (7) days before the deed is to be delivered as herein provided, and said deed shall convey a good and clear record and marketable title thereto, free from encumbrances, except:  
(a) Provisions of existing building and zoning law;  
(b) Such taxes for the then current year as are not due and payable on the date of the delivery of such deed;  
(c) Any liens for municipal betterments assessed after the date of this agreement.
5. PLANS  
If said deed refers to a plan necessary to be recorded therewith, the SELLER shall deliver such plan with the deed in form adequate for recording or registration.
6. REGISTERED TITLE  
In addition to the foregoing, if the title to the Premises is registered, said deed shall be in form sufficient to entitle the BUYER to a Certificate of Title of the Premises, and the SELLER shall deliver with said deed all instruments, if any, necessary to enable the BUYER to obtain such Certificate of Title.
7. PURCHASE PRICE  
The agreed purchase price for the Premises is One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) of which  

\$	25,000.00	have been paid as a deposit this day (the "Deposit"), and
\$	1,475,000.00	is to be paid at the time of delivery of the deed in cash, or by certified, cashier's, treasurer's, or bank check(s).
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\$	1,475,000.00	TOTAL
8. TIME FOR PERFORMANCE; DELIVERY OF DEED  
The Deed is to be delivered to the BUYER at 11:00 a.m. on the first business day that is at least thirty (30) days following the expiration of the Permitting Period, as set forth herein, or an earlier date upon seven (7) days prior written notice from the BUYER to the SELLER at the offices of the BUYER's counsel unless otherwise agreed upon in writing. It is agreed that time is of the essence of this Agreement.
9. POSSESSION AND CONDITION OF PREMISES  
Full possession of the Premises free of all tenants and occupants, is to be delivered at the time of the delivery of the deed, the Premises to be then (a) in the same condition as they now are, reasonable use and wear thereof excepted; (b) not in violation of said building and zoning laws; and (c) in compliance with the provisions of any instrument referred to in Paragraph 4 of this Agreement. The BUYER shall be entitled to an inspection of the Premises prior to the delivery of the deed in order to determine whether the condition thereof complies with the terms of this Paragraph. The SELLER shall remove all personal property from the Premises, including from the interior of any buildings or structures located on the Premises, prior to the Closing.

10. EXTENSION TO PERFECT TITLE OR MAKE PREMISES CONFORM  
If the SELLER shall be unable to give title or to make conveyance, or to deliver possession of the Premises, all as herein stipulated, or if at the time of the delivery of the deed the Premises do not conform with the provisions hereof, then the SELLER shall use reasonable efforts to remove any defects in title, or to deliver possession as provided herein, or to make the Premises conform to the provisions hereof, as the case may be, in which event the time for performance hereof shall be extended for a period reasonably necessary for the SELLER to remove any defects in title, or to deliver possession as provided herein, or to make the Premises conform to the provisions hereof, as the case may be.
11. FAILURE TO PERFECT TITLE OR MAKE PREMISES CONFORM, etc.  
If at the expiration of the extended time the SELLER shall have failed so to remove any defects in title, deliver possession, or make the Premises conform, as the case may be, all as herein agreed, or if at any time during the period of this Agreement or any extension thereof, the holder of a mortgage on said premises shall refuse to permit the insurance proceeds, if any, to be used for such purposes, then, at the BUYER'S option, any payments made under this Agreement shall be forthwith refunded and all other obligations of all parties hereto shall cease and this Agreement shall be void without recourse to the parties hereto.
12. BUYER'S ELECTION TO ACCEPT TITLE  
The BUYER shall have the election, at either the original or any extended time for performance, to accept such title as the SELLER can deliver to the Premises in their then condition and to pay therefor the purchase price without deduction, in which case the SELLER shall convey such title, except that in the event of such conveyance in accord with the provisions of this Paragraph, if the Premises shall have been damaged by fire or casualty insured against, then the SELLER shall, unless the SELLER has previously restored the Premises to their former condition, either
  - (a) pay over or assign to the BUYER, on delivery of the deed, all amounts recovered or recoverable on account of such insurance, less any amounts reasonably expended by the SELLER for any partial restoration, or
  - (b) If a holder of a mortgage on the Premises shall not permit the insurance proceeds or a part thereof to be used to restore the Premises to their former condition or to be so paid over or assigned, give to the BUYER a credit against the purchase price, on delivery of the deed, equal to said amounts so recovered or recoverable and retained by the holder of the mortgage less any amounts reasonably expended by the SELLER for any partial restoration.
13. ACCEPTANCE OF DEED  
The acceptance of a deed by the BUYER or the BUYER'S nominee as the case may be, shall be deemed to be a full performance and discharge of every agreement and obligation herein contained or expressed, except such as are, by the terms hereof, to be performed after the delivery of said deed.
14. USE OF PURCHASE MONEY TO CLEAR TITLE  
To enable the SELLER to make conveyance as herein provided, the SELLER may, at the time of delivery of the deed, use the purchase money or any portion thereof to clear the title of any or all encumbrances or interests, provided that all instruments so procured are recorded simultaneously with the delivery of said deed.
15. INSURANCE  
Until the delivery of the deed, the SELLER shall maintain insurance on the premises as follows:

Type of Insurance	Amount of Coverage
(a) Fire; and	* \$
(b) Extended coverage	* \$

\* As presently insured.
16. ASSIGNMENT OF INSURANCE  
This paragraph is intentionally omitted.
17. ADJUSTMENTS  
Water and sewer use charges, and Taxes for the then current year, shall be apportioned as of the day of performance of this Agreement and the net amount thereof shall be added to or deducted from, as the case may be, the purchase price payable by the BUYER at the time of delivery of the deed. The BUYER shall pay the applicable Nantucket Land Bank Tax.
18. ADJUSTMENT OF UNASSESSED AND ABATED TAXES  
If the amount of said taxes or charges is not known at the time of the delivery of the deed, they shall be apportioned on the basis of the assessments for the preceding year, with a reapportionment as soon as the new taxes or charges can be ascertained; and, if the taxes which are to be apportioned shall thereafter be reduced by abatement, the amount of such abatement, less the reasonable cost of obtaining the same, shall be apportioned between the parties, provided that neither the SELLER nor the BUYER shall be obligated to institute or prosecute proceedings for an abatement unless herein otherwise agreed.

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| 19. BROKER'S FEE   | Not applicable.   |
| 20. BROKER(S) WARRANTY                                   | Not applicable.   |
| 21. DEPOSIT  | All deposits made hereunder shall be held by Fellman Law Group, P.C, subject to the terms of this Agreement, including, without limitation, the escrow provisions in Exhibit A, attached hereto, and shall be duly accounted for at the time for performance of this Agreement; provided however that in the event of any disagreement, Escrow Agent shall retain said deposits pending instructions mutually given by the SELLER and the BUYER. Said deposits shall be held in an insured, interest-bearing account, and interest thereon shall accrue and be paid to the SELLER at the time of delivery of the deed, except such interest shall be paid to the BUYER if the BUYER shall become entitled to a refund of such deposit and shall not waive such right.                             |
| 22. BUYER'S DEFAULT; DAMAGES                             | See Paragraph 35, below.  |
| 23. SALE OF PERSONAL PROPERTY                            | As set forth in Paragraph 3, above.   |
| 24. RELEASE BY HUSBAND OR WIFE                           | Not applicable.   |
| 25. BROKER AS PARTY                                      | Not applicable.   |
| 26. LIABILITY OF TRUSTEE, SHAREHOLDER, BENEFICIARY, etc. | If the SELLER or the BUYER executes this Agreement in a representative or fiduciary capacity, only the principal or the estate represented shall be bound, and neither the SELLER nor the BUYER so executing, nor any shareholder or beneficiary of any trust, shall be personally liable for any obligation, express or implied, hereunder.  |
| 27. WARRANTIES AND REPRESENTATIONS                       | The BUYER acknowledges that the BUYER has not been influenced to enter into this transaction nor has the BUYER relied upon any warranties or representations not set forth or incorporated in this Agreement or previously made in writing, except for the following additional warranties and representations, if any, made by the SELLER: See Paragraphs 31 and 36.   |
| 28. CONSTRUCTION OF AGREEMENT                            | This instrument, executed in multiple original counterparts, is to be construed as a Massachusetts contract, is to take effect as a sealed instrument, sets forth the entire contract between the parties, is binding upon and inures to the benefit of the parties hereto and their respective heirs, devisees, executors, administrators, successors, and assigns, and may be cancelled, modified, or amended only by a written instrument executed by both the SELLER and the BUYER. If two or more persons are named herein as the BUYER their obligations hereunder shall be joint and several. The captions and marginal notes are used only as a matter of convenience and are not to be considered a part of this Agreement or to be used in determining the intent of the parties to it. |
| 29. LEAD PAINT LAW                                       | The parties acknowledge that, under Massachusetts law, whenever a child or children under six years of age resides in any residential premises in which any paint, plaster, or other accessible material contains dangerous levels of lead, the owner of said premises must remove or cover the paint, plaster, or other material so as to make it inaccessible to children under six years of age.   |

30. Buyer's Contingencies. (a) The Buyer shall have the right to have (i) a structural, mechanical and wood-boring insect inspection made of the Premises, (ii) a septic system inspection, and (iii) a well inspection. If the Buyer is not satisfied with the results of any of the foregoing tests or inspections in the Buyer's sole discretion, the Buyer shall have the right to terminate this Agreement by giving notice thereof to the Seller in the manner herein provided, such notice to be given not later than the ninety (90) days following the date of this Agreement (the "Due Diligence Period"); and if such notice is

not timely given, this right of termination shall be conclusively determined to have expired. If the Buyer does not terminate this Agreement prior to the expiration of the Due Diligence Period, then the Deposit shall be paid to the Seller and not held in escrow, shall be non-refundable to the Buyer unless the Closing fails to occur due to a default by the Seller under this Agreement, but shall be applicable to the Purchase Price at Closing.

(b) The Buyer shall have the right, prior to the date which is twelve (12) months following the end of the Due Diligence Period (the "Permitting Period"), to apply for any and all necessary permits, approvals, and licenses in connection with development upon the Premises, including, without limitation, a building permit (collectively, the "Permits"). The Seller agrees to cooperate in any reasonable manner in connection with the making of applications for any Permits. If the Buyer shall not have received the final, non-appealable Permits ("Final Permits") prior to the end of the Permitting Period, the Buyer shall have the right to extend the Permitting Period by up to two (2) periods of six (6) months each by giving the Seller notice of the extension prior to the end of the Permitting Period or the prior extension period, as applicable. The Buyer shall pay to the Seller on or before the first business day of each extension of the Permitting Period, as the same may be extended by the Buyer, and on the same day of each month thereafter, an additional, non-refundable payment of Ten Thousand and 00/100 Dollars (\$10,000.00) (the "Extension Deposits"). The Extension Deposits shall be paid to the Seller and not held in escrow, shall be non-refundable to the Buyer unless the Closing fails to occur due to a default by the Seller under this Agreement, but shall be applicable to the Purchase Price at Closing. If the Buyer determines, in the Buyer's sole discretion, at any time prior to the expiration of the Permitting Period, as the same may be extended by the Buyer, that the Buyer will be unable to obtain the Permits with conditions acceptable to the Buyer, then the Buyer shall have the right to terminate this Agreement by giving notice thereof to the Seller in the manner herein provided, such notice to be given not later than the expiration of the Permitting Period, as such period may be extended by the Buyer; and if such notice is not timely given, this right of termination shall be conclusively determined to have expired. Notwithstanding the foregoing, in the event an appeal is filed against any of the Permits, the Seller shall have the right to extend the Permitting Period for such amount of time reasonably necessary to contest such appeal or appeals before

any applicable municipal or judicial forum by giving notice of such extension to the Seller prior to the end of the then-current Permitting Period.

31. Warranty of No Broker. The Buyer and the Seller represent and warrant that the respective party has not dealt with any broker in connection with the transaction which is the subject of this Agreement in any fashion which will give rise to a claim for a commission in this sale. Each party hereby undertakes and agrees to save and hold harmless the other from and against any claims for brokerage commissions which may be asserted in connection with this sale, including all costs and expenses which may be incurred in defending against any such claim.

32. Title Insurance. Title to be conveyed pursuant to this Agreement shall not be deemed to be in compliance with the provisions of Paragraph 4 of this Agreement unless a commitment for the issuance of an owner's title insurance policy to the Buyer or the Buyer's nominee, and a lender's title insurance policy for any prospective mortgagee, shall be available to the Buyer at the time of delivery of the deed, for the insurance of the interest of such parties in the Premises, subject only to standard exclusions from coverage printed in the policy cover and exceptions for real estate taxes not yet due and payable and with all exceptions or exclusions relating to the rights of creditors deleted. Such policy shall be in the ALTA standard form and shall be issued by a major insurance company doing business in Massachusetts. The Buyer shall pay all standard and usual premiums for the issuance of any such title insurance policy if such coverage is desired. The Seller agrees to cooperate in providing all necessary materials in order to secure the deletion of any exception or exclusion for creditors' rights.

33. Additional Seller's Documents.

(a) At the time for delivery of the deed, as a condition for the Buyer's performance hereunder, the Seller shall deliver to the Buyer the following additional documents:

(i) a quitclaim deed sufficient to transfer and convey to the Buyer fee simple title to the Premises as required by this Agreement;

(ii) An affidavit with respect to mechanics' liens and parties in possession sufficient to enable the Buyer to obtain title insurance free from all exceptions as to such matters.

(iii) A Form 1099-B to be filed with the Internal Revenue Service pursuant to Section 6045(e) of the Internal Revenue Code.

(iv) A certificate in compliance with Internal Revenue Code, Section 1445(b)(2), stating that the Seller does not constitute a "foreign person" as defined therein, providing the Seller's taxpayer identification number.

(v) A closing settlement statement.

(vi) Any other instruments, records or correspondence called for hereunder, or necessary to effectuate the closing, which have not previously been delivered, including, without limitation, any necessary probate documents.

34. **Seller's Cooperation.** The Seller shall cooperate with the Buyer by promptly signing any necessary applications for the Buyer to deal with municipal and state authorities and apply for permits and approvals for house renovations, wetlands surveys and to establish Endangered Species Act habitat lines. All of the foregoing shall be at the Buyer's sole expense.

35. **Notice.** All notices to be given pursuant to this Agreement shall be effective only when given in writing and mailed by certified mail, return receipt requested, or shall be sent by Federal Express or other comparable overnight delivery courier, to the other party at the following addresses:

To Seller: Whitney A. Gifford, Trustee  
Nantucket 106 Surfside Realty Trust  
Reade, Gullicksen, Hanley and Gifford, LLP  
6 Youngs Way  
Nantucket, MA 02684

To Buyer: Surfside Commons, LLC  
c/o Atlantic Development  
62 Derby Street  
Hingham, MA 02043

36. **Seller's Representations and Warranties.** The Seller represents and warrants to the Buyer as follows:

(a) **Ownership.** The Seller is the owner of the Premises. The Seller has not pledged, hypothecated or otherwise encumbered the Premises except for mortgages of record.

(b) Ability to Perform. The Seller has full power to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and this Agreement constitutes the legal, valid and binding obligation of the Seller enforceable in accordance with its terms.

(c) Pending Actions. To the Seller's knowledge, there is no action, proceeding or investigation pending against the Seller or the Premises or any part thereof before any court or governmental department, commission, board, agency or instrumentally which could have a material adverse effect on the Premises, the Seller's interest therein or the Seller's ability to perform its obligations hereunder. The Seller shall notify the Buyer promptly of any such action, proceeding or investigation of which the Seller becomes aware prior to the Closing.

The Seller represents and warrants to the Buyer that, as of the Closing, each of the warranties and representations set forth in this Paragraph 36 shall be true, complete and correct in all material respects, except for changes in the operation of the Premises occurring prior to Closing which are specifically permitted by this Agreement. It shall be a condition of the Buyer's obligation to close that each of the warranties and representations are true, complete and correct at the time of Closing in all material respects.

**38. Failure to Perform.**

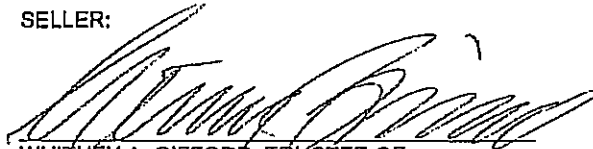
(a) Buyer's Default. If the Buyer shall fail to fulfill the Buyer's agreements herein, all deposits made hereunder by the Buyer shall be retained by the Seller as liquidated damages which shall be the Seller's sole remedy at law or in equity for such failure by the Buyer.

(b) Seller's Default. If at the Closing, the Seller is unable, despite diligent good faith efforts, to satisfy all of the Seller's obligations as set forth in this Agreement, and the Buyer does not elect to take title as provided in Paragraph 11, above, the Seller shall be in default under this Agreement and the entire Deposit shall be forthwith returned to the Buyer. In addition to the foregoing, if the Buyer desires to purchase in accordance with the terms of this Agreement and the Seller intentionally refuses to perform the Seller's obligations hereunder, the Buyer, at its option, shall have all of its rights at law and in equity, including, without limitation, the right to compel specific performance by the Seller hereunder.

*[Remainder of page intentionally left blank.]*

WITNESS the execution under seal as of the date first set forth above.

SELLER:



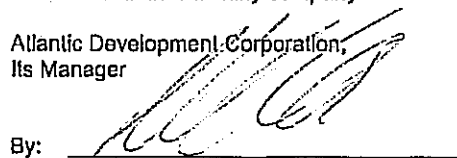
WHITNEY A. GIFFORD, TRUSTEE OF  
NANTUCKET 106 SURFSIDE ROAD REALTY  
TRUST and not individually

Date: August 10<sup>th</sup>, 2015

BUYER:

SURFSIDE COMMONS, LLC,  
A Massachusetts limited liability company

By: Atlantic Development Corporation,  
Its Manager

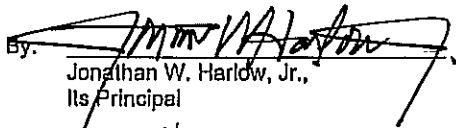


By: Donald J. MacKinnon,  
Its President

Date: August 10<sup>th</sup>, 2015

ESCROW AGENT:

FELLMAN LAW GROUP, P.C.

By:   
Jonathan W. Harlow, Jr.,  
Its Principal

Date: August 10<sup>th</sup>, 2015

## EXHIBIT A

### ESCROW PROVISIONS

Buyer and Seller, jointly and severally agree that the Escrow Agent, Fellman Law Group, P.C. ("Escrow Agent") shall incur no liability whatsoever in connection with its good faith performance under this Escrow Agreement, and do hereby jointly and severally release and waive any claims we may have against Escrow Agent, which may result from its performance in good faith of its function under this agreement, including but not limited to, a delay in the electronic wire transfer of funds. Escrow Agent shall be liable only for loss or damage caused directly by its acts of gross negligence or willful misconduct while performing as Escrow Agent under this Escrow Agreement.

The Escrow Agent undertakes to perform only those duties which are expressly set forth in that certain Agreement attached hereto, and acknowledge that these duties are purely ministerial in nature.

The Escrow Agent shall be entitled to rely upon the authenticity of any signature and the genuineness and validity of any writing received by Escrow Agent relating to this Escrow Agreement. Escrow Agent may rely upon any oral identification of a party notifying Escrow Agent orally as to matters relating to this Agreement if such oral notification is permitted thereunder. Escrow Agent is not responsible for the nature, content, validity or enforceability of any of the escrow documents except for those documents prepared by Escrow Agent.

In the event of any disagreement between the parties hereto resulting in conflicting instructions to, or adverse claims or demands upon the Escrow Agent with respect to the release of the Funds or the escrow documents, the Escrow Agent may refuse to comply with any such instruction, claim or demand so long as such disagreement shall continue and in so refusing the Escrow Agent shall not release the escrowed funds (the "Funds") or the escrowed documents (the "Documents"). The Escrow Agent shall not be, or become liable in any way for its failure or refusal to comply with any such conflicting instructions or adverse claims or demands and it shall be entitled to continue to refrain from acting until such conflicting instructions or adverse claims or demands (a) shall have been adjusted by agreement and it shall have been notified in writing thereof by the parties hereto; or (b) shall have finally been determined in a court of competent jurisdiction. In the alternative, Escrow Agent may, but shall not be obligated to, file a suit in interpleader for a declaratory judgment for the purpose of having the respective rights of the claimants adjudicated and may deliver to the court the Funds and Documents.

The Escrow Agent shall be entitled to receive reimbursement as Escrow Agent of documented reasonable attorneys' fees and other documented out-of-pocket expenses incurred by it in the performance of its duties under this Agreement, which shall be paid in equal amounts by Buyer and Seller. If the Escrow Agent's duties and responsibilities are increased beyond the contemplated within this Agreement, additional compensation will be allowed as agreed upon in writing by all of the parties hereto. Such additional compensation shall be shared equally by Buyer and Seller.

The Escrow Agent may at its sole discretion resign by giving (30) days written notice thereof to the parties hereto. The parties shall furnish to the Escrow Agent written instructions for the release of the Funds and Documents. If the Escrow Agent shall not have received such written instructions within the thirty (30) days, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent and upon such appointment deliver the Funds and Documents to such successor. Costs and fees incurred by the Escrow Agent may, at the option of the Escrow Agent, be deducted from any funds held pursuant hereto. The Escrow Agent neither approves nor disapproves of this transaction, nor does it recommend for or against, nor does it have an opinion as to the legality or validity of the transaction.

If the Funds is at any time attached, garnished, or levied upon under any court order or if the payment or delivery of the Funds is stayed or enjoined by any court order, or if any order, judgment or decree shall be made or entered by any court affecting the Funds, Escrow Agent is authorized, in its sole discretion, to

rely upon and comply with the order, writ, judgment or decree. Escrow Agent shall not be liable to any of the parties or to any other person firm or corporation by reason of such compliance even though the order, writ, judgment or decree may be subsequently reversed modified, annulled, set aside or vacated.

Upon making disposition of the Funds in accordance with this Agreement, Escrow Agent shall be deemed fully released and discharged from any and all duties and obligations under this Agreement, without the need that any other documentation be executed by Seller or Buyer.

Escrow Agent shall not be responsible for (i) any fluctuations in the interest rate applicable to any cash held by it pursuant to or by virtue of this Agreement; (ii) the validity, sufficiency, collectability, or legal effect of any instrument deposited with Escrow Agent.

Notwithstanding anything contained in this Agreement to the contrary, Escrow Agent has the right (but not the obligation) to require from Seller and Buyer a written release of liability of Escrow Agent, a written authorization to disburse the Funds, or both.

The parties hereto do hereby certify that they are aware that the Federal Deposit Insurance Corporation ("FDIC") coverages apply only to a cumulative maximum amount of \$250,000 for each individual depositor for all of depositor's accounts at the same or related institution. The parties hereto further understand that certain banking instruments such as, but not limited to, repurchase agreements and letters of credit are not covered at all by FDIC insurance.

Further the parties hereto understand that Escrow Agent assumes no responsibility for, nor will the parties hereto hold Escrow Agent liable for, any loss occurring which arises from the fact that the amount of the above account may cause the aggregate amount of any individual depositor's accounts to exceed \$250,000 and that the excess amount is not insured by the Federal Deposit Insurance Corporation or that FDIC insurance is not available on certain types of bank instruments.

The parties to this escrow acknowledge that the maintenance of such escrow accounts with some depository institutions may result in Escrow Agent being provided with an array of bank services, accommodations or other benefits by the depository institution. Escrow Holder or its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from the depository institution. All such services, accommodations and other benefits shall accrue to Escrow Agent, and Escrow Agent shall have no obligation to account to the parties to the escrow for the value of such services, accommodations or other benefits.

Appended Section IV:  
Project Financing  
Information

<b>Nantucket 40B                      Atlantic Development</b>			
<b>Unit Mix</b>	<b>Total</b>	<b>100%</b>	
<b>Total Units</b>	<b>60</b>		
<b>Total Affordable Units</b>	<b>0</b>	<b>0%</b>	
<b>Total Moderate</b>	<b>15</b>	<b>25%</b>	
<b>Total Market Units</b>	<b>44</b>	<b>73%</b>	
<b>Live-in Manager</b>	<b>1</b>	<b>2%</b>	
<b>Total Development Cost</b>	<b>Total</b>	<b>Total/Unit</b>	<b>Total/GSF</b>
<b>TDC</b>	<b>\$18,612,976</b>	<b>\$310,216</b>	<b>\$237.62</b>
Acquisition	\$1,500,000	\$25,000	\$19.15
Construction	\$12,622,486	\$210,375	\$161.14
Soft Costs	\$2,460,503	\$41,008	\$31.41
Developer Fee/Overhead	\$1,775,599	\$29,593	\$22.67
Reserves	\$254,387	\$4,240	\$3.25
<b>Total Sources</b>	<b>Total</b>	<b>Total/Unit</b>	<b>Total/GSF</b>
<b>Total Sources</b>	<b>\$18,612,976</b>	<b>\$310,216</b>	<b>\$237.62</b>
Permanent Loan	\$15,795,890	\$263,265	\$201.66
Federal Tax Credit Equity	\$0	\$0	\$0.00
State Tax Credit	\$0	\$0	\$0.00
Housing Trust	\$0	\$0	\$0.00
Local Subordinate Debt	\$0	\$0	\$0.00
State Soft Debt	\$0	\$0	\$0.00
Developer Fee Loaned	\$1,775,599	\$29,593	\$22.67
Cash Equity	\$1,041,487	\$17,358	\$13.30
<b>Surplus or (Gap)</b>	<b>\$0</b>		

Unit Mix							Units	%total	NSF	Total NSF	Annual Income	Monthly Total Rent	Utility Allowance	Gross Monthly Rent	Net Monthly Rent/SF		
0 BR	1 BA	affordable 30%	0	\$0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	affordable Sec.8	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	affordable MRVP	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	affordable 50%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	affordable 60%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	affordable 80%	1	2	2%	597	597		\$14,294	\$1,191		\$135		\$1,326	\$2.22		
0 BR	1 BA	Moderate	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
0 BR	1 BA	Market	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
Sub-Total 0 BR			1	2	2%		597		\$14,294	\$1,191							
1 BR	1 BA	affordable 30%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
1 BR	1 BA	Sec. 8	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
1 BR	1 BA	affordable MRVP	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
1 BR	1 BA	affordable 50%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
1 BR	1 BA	affordable 60%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
1 BR Den (K)	1 BA	affordable 80%	1	2	2%	888	888		\$14,919	\$1,243		\$177		\$1,420	\$1.60		
1 BR Den (K)	1 BA	Livein-In Manager	1	2	2%	888	888		\$0	\$0				\$0	\$0.00		
1 BR Den (H)	1 BA	Market	1	2	2%	1,154	1,154		\$27,000	\$2,250				\$2,250	\$1.95		
Sub-Total 1 BR			3	5	5%		2,930		\$41,919	\$3,493							
2 BR	2-2.5 BA	affordable 30%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR	2-2.5 BA	Sec. 8	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR	2-2.5 BA	affordable MRVP	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR	2-2.5 BA	affordable 50%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR	2-2.5 BA	affordable 60%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR - 2BR Den	2-2.5 BA	affordable 80%	9	15	15%	1,189	10,699		\$160,731	\$13,394		\$217		\$1,705	\$1.43		
2 BR	2-2.5 BA	Moderate	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
2 BR - 2BR Den	2-2.5 BA	Market	31	52	52%	1,189	36,854		\$1,041,600	\$86,800				\$2,800	\$2.36		
Sub-Total 2 BR			40	67	67%		47,553		\$1,202,331	\$100,194							
3BR	2.5 BA	affordable 30%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3BR	2.5 BA	Sec. 8	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3BR	2.5 BA	affordable MRVP	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3BR	2.5 BA	affordable 50%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3BR	2.5 BA	affordable 60%	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3 BR	2.5 BA	affordable 80%	4	7	7%	1,349	5,394		\$82,097	\$6,841		\$259		\$1,969	\$1.46		
3 BR	2.5 BA	Moderate	0	0	0%	0	0		\$0	\$0				\$0	\$0.00		
3 BR	2.5 BA	Market	12	20	20%	1,349	16,182		\$468,000	\$39,000				\$3,250	\$2.41		
Sub-Total 3 BR			16	27	27%		21,576		\$550,097	\$45,841							
Total Units			60	100	100%		72,656		\$1,808,641	\$150,720							
Unit Summary			Total Units		% of Units		of Units/SF										
Total 30%			0	0	0%		0%		\$0								
Total Section 8			0	0	0%		0%		\$0								
Total MRVP			0	0	0%		0%		\$0								
Total 50%			0	0	0%		0%		\$0								
Total 60%			0	0	0%		0%		\$0								
Total 80%			15	25	25%		24%		\$272,041								
Total Manager			1	2	2%		1%		\$0								
Total Market			44	73	73%		75%		\$1,536,600								
% of Units LIHTC-Eligible					0%		0%										
Percentage LIHTC Eligible																	
Commercial		\$0	0	s.f.													
Other Income																	
Parking		\$0	0														
Laundry		\$0	0														
Storage		\$10	4505														
Total Commercial and Other Income										\$45,050							
GROSS POTENTIAL RESIDENTIAL INCOME										\$1,853,691							
Vacancy																	
Affordable		5%													\$13,602		
Market/Mod		5%													\$76,830		
Other Income		5%													\$2,253		
Commercial		10%													\$0		
EFFECTIVE RESIDENTIAL RENTAL INCOME										\$1,761,007							
Residential Operating Expenses										Monthly Total		Per Unit Annual					
Total Residential Operating expenses (net meals and housekeeping)																	
Management Fee		5%													\$88,050	\$7,338	\$1,468
Administrative															\$90,820	\$7,568	\$1,514
Maintenance															\$103,200	\$8,600	\$1,720
Resident Services															\$0	\$0	\$0
Utilities															\$66,000	\$5,500	\$1,100
Taxes															\$96,000	\$8,000	\$1,600
Insurance															\$25,500	\$2,125	\$425
Replacement Res.		\$325													\$19,500	\$1,625	\$325
Housekeeping (u/wk/market)		\$0	note: \$\$\$/week/unit												\$0	\$0	\$0
Meals (1 per day)		\$0													\$0	\$0	\$0
Total Expenses (including meals and housekeeping)										\$489,070		\$40,756		\$8,151			
Net Operating Income (including cost of meals/housekeeping)										\$1,271,936							
Debt Service										\$1,017,549							
Cash Flow										\$254,387							
DSCR										1.25							

	0%	Cushion:	0%	5%
Rents	Sec 8	MRVP	30%	80%
Studio	\$0	\$0	\$523	\$1,326
1 Bedroom	\$0	\$0	\$561	\$1,420
2 Bedrooms	\$0	\$0	\$0	\$1,705
3 Bedroom	\$0	\$0	\$777	\$1,969

Utility Allowances				
(HAC)	0BR	1BR	2BR	3BR
Bottle Gas Heat	\$71	\$82	\$93	\$104
Electric Cooking	\$10	\$14	\$18	\$22
Electricity	\$33	\$48	\$62	\$77
Electric Water Heating	\$21	\$33	\$44	\$56
<b>TOTAL</b>	<b>\$135</b>	<b>\$177</b>	<b>\$217</b>	<b>\$259</b>

UNIT MIX	UNIT MIX	No.	Type
3/2.5	1,336	8	A
3/2.5	1,361	8	C
2/2	1,215	9	B
2D2.5	1,336	1	A-2BR
2D/2.5	1,361	1	C-2BR
2/2	1,240	9	D
2/2	1,170	9	E
2/2	1,055	9	F
2D/2	1,368	2	G
1D/1	888	2	K
1D/1	1,154	1	H
Studio	597	1	J
		60	

Building Square Footage			
24 Unit Building			
Lower Level	8,188		
First Floor	8,040		
Second Floor	8,188		
Third Floor	7,066		
	1	31,482	31,482
12 Unit Building			
First Floor	5,390		
Second Floor	5,489		
Third Floor	4,737		
	3	15,616	46,848
			<b>78,330</b>

Residential Parking	Total Spaces
Surface Parking	91
Surface Garage Parking	0
Underground Parking	0
<b>Total Space</b>	<b>91</b>

## Nantucket 40B Atlantic Development

	4% or 9%	9%			
SOURCES		Total	Per Unit	Per Aff. Unit	Mod/Market
<b>Total Permanent Sources</b>		<b>\$18,612,976</b>	<b>\$310,216</b>		<b>\$0</b>
Permanent Loan		\$15,795,890	\$263,265		\$0
Tax Credit Equity		\$0	\$0	\$0	
State Tax Credit		\$0	\$0	#DIV/0!	
Local Home		\$0	\$0	#DIV/0!	
Local Trust/Other		\$0	\$0	#DIV/0!	
DHCD Sub Debt		\$0	\$0	#DIV/0!	
Moderate Entry Fee		\$0	\$0		\$0
Market Entry fee		\$0	\$0		\$0
Equity		\$1,041,487	\$17,358		\$0
Deferred Dev. Fee		\$1,775,599	\$29,593		\$0
<b>SURPLUS</b>		<b>\$0</b>	<b>\$0</b>		
Uses		Total	Cost/Unit	Cost/GSF	Mod/Market
<b>Total Development Costs</b>		<b>\$18,612,976</b>	<b>\$310,216</b>		<b>\$0</b>
<b>Acquisition</b>		<b>\$1,500,000</b>	<b>\$25,000</b>		<b>\$0</b>
<b>Construction</b>		<b>\$12,622,486</b>	<b>\$210,375</b>	<b>\$161</b>	<b>\$0</b>
Residential		\$9,039,941	\$150,666	\$115	
Commercial		\$0		\$0	
Site Improvements		\$1,751,000			
Demolition		\$20,000			
Parking Surface		\$0		\$0	
Parking Surface Garage		\$0		\$0	
Parking Underground		\$0		\$0	
Gen'l Condition, OH, Profit	11%	\$1,210,475		\$15	
Hard Cost Contingency	5%	\$601,071		\$8	
<b>Soft Costs</b>		<b>\$2,460,503</b>	<b>\$40,983</b>		<b>\$0</b>
A&E	4.00%	\$480,857	\$8,014		\$0
Survey/Testing		\$42,726	\$712		\$0
Permit	1.00%	\$96,411	\$1,607		\$0
Owner's Rep	\$140,000	\$140,000	\$2,333		\$0
Bond Premium	1.0%	\$120,419	\$2,007		\$0
Legal		\$125,000	\$2,083		\$0
Title/Recording	\$34,400	\$34,400	\$573		\$0
Accounting/Cost Cert		\$30,000	\$500		\$0
Marketing		\$120,000	\$2,000		\$0
FF&E		\$75,000	\$1,250		\$0
Builders Risk Insurance	\$0.25	\$30,054	\$501		\$0
Appraisal/Market Study		\$20,000	\$333		\$0
Property Taxes	\$3.61	\$1,500			\$0
Const Loan Interest	\$596,857	\$596,857	\$9,948		\$0
Construction Loan Fee		\$157,959	\$2,633		\$0
Bridge Loan Interest	\$0	\$0	\$0		\$0
Bridge Loan Fee		\$0	\$0		\$0
Inspecting Engineer	\$23,000	\$23,000	\$383		\$0
Security		\$0	\$0		\$0
Relocation		\$0	\$0		\$0
Perm. Loan Fees	1.0%	\$157,959	\$2,633		\$0
Mortgage Insurance		\$0	\$0		\$0
Development Consultant		\$75,000	\$1,250		\$0
Acquisition Loan Interest		\$0	\$0		\$0
Acquisition Loan Fee		\$0	\$0		\$0
Lease-Up Deficit	\$17,006	\$17,006	\$283		\$0
Soft Cost Contingency	5%	\$116,357	\$1,939		\$0
<b>Fees/Overhead</b>		<b>\$1,775,599</b>	<b>\$29,593</b>		<b>\$0</b>
<b>LIHTC Fees</b>		<b>\$0</b>	<b>\$0</b>		<b>\$0</b>
<b>Reserves</b>		<b>\$254,387</b>	<b>\$4,240</b>		<b>\$0</b>

<b>Permanent Loan</b>					
Interest		5.00%	0.00%		
Override		0.00%	0.00%		
MIP		0.00%	0.00%		
Amortiz		30	30		
Term		20	20		
Loan Constant		6.44%	3.33%		
DSCR		1.25	1.25		
LTV		85%	85%		
Cap Rate		6.00%	6.00%		
<b>Max Loan:</b>		<b>\$15,795,890</b>	<b>\$18,019,098</b>		
<b>Debt Service</b>		<b>\$1,017,549</b>	<b>\$600,637</b>		
Reserves:		Mos of DS	3 Mos of Oper		0
<b>Construction Loan</b>					
Loan Amount		\$15,795,890			
Interest Rate		3.50%			
Monthly Rate		0.002916667			
Number of Months		22			
Fee		1.0%			
<b>Bridge Loan</b>					
Loan Amount		\$0			
Interest Rate		0.00%			
Monthly Rate		0			
Number of Months		22			
Fee		1.0%			
<b>Acquisition Loan</b>					
Acquisition Cost		\$1,500,000			
Owner Equity		0%	\$0		
Loan Amount		\$1,500,000			
Interest Rate		0.00%			
Monthly Rate		0			
Number of Months		22			
Fee		0.0%			
Total Interest		\$0			
<b>Fee/Overhead</b>					
	5%	\$1,500,000	\$75,000		
	15%	\$3,000,000	\$450,000		
	12.5%	\$2,000,000	\$250,000		
	10%	\$10,000,000	\$1,000,000		
	7.5%	\$7,990	\$599		
	5%	\$0	\$0		
Fee/OH Allowed			\$1,775,599		
% of TDC			9.54%		
Fee /OH Paid			\$0		
% Deferred			100.00%		

Nantucket 40B		Atlantic Development									
Trending		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		1	2	3	4	5	6	7	8	9	10
Revenue											
30% AMI	1.025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Section 8	1.025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MRVP	1.025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Credit 60%	1.025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
80% AMI	1.025	\$272,041	\$278,842	\$285,813	\$292,959	\$300,283	\$307,790	\$315,484	\$323,371	\$331,456	\$339,742
Moderate	1.030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Market	1.030	\$1,536,600	\$1,582,698	\$1,630,179	\$1,679,084	\$1,729,457	\$1,781,341	\$1,834,781	\$1,889,824	\$1,946,519	\$2,004,914
Commercial	1.030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	1.030	\$45,050	\$46,402	\$47,794	\$49,227	\$50,704	\$52,225	\$53,792	\$55,406	\$57,068	\$58,780
Other	1.030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	1.030	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Revenue		\$1,853,691	\$1,907,942	\$1,963,786	\$2,021,270	\$2,080,444	\$2,141,355	\$2,204,067	\$2,268,601	\$2,335,043	\$2,403,437
Vacancy Affordable	5%	(\$13,602)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacancy Mod/Market	5%	(\$76,830)	(\$79,135)	(\$81,509)	(\$83,954)	(\$86,473)	(\$89,067)	(\$91,739)	(\$94,491)	(\$97,326)	(\$100,246)
Vacancy Other	5%	(\$2,253)	(\$2,320)	(\$2,390)	(\$2,461)	(\$2,535)	(\$2,611)	(\$2,690)	(\$2,770)	(\$2,853)	(\$2,939)
Vacancy Commercial	10%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenue</b>		<b>\$1,761,007</b>	<b>\$1,826,487</b>	<b>\$1,879,887</b>	<b>\$1,934,855</b>	<b>\$1,991,436</b>	<b>\$2,049,677</b>	<b>\$2,109,629</b>	<b>\$2,171,340</b>	<b>\$2,234,863</b>	<b>\$2,300,252</b>
Expenses											
Management Fee	5%	\$88,050	\$91,324	\$93,994	\$96,743	\$99,572	\$102,484	\$105,481	\$108,567	\$111,743	\$115,013
Administration	1.03	\$90,820	\$93,545	\$96,351	\$99,241	\$102,219	\$105,285	\$108,444	\$111,697	\$115,048	\$118,500
Maintenance	1.03	\$103,200	\$106,296	\$109,485	\$112,769	\$116,153	\$119,637	\$123,226	\$126,923	\$130,731	\$134,653
Resident Services	1.03	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes	1.03	\$96,000	\$98,880	\$101,846	\$104,902	\$108,049	\$111,290	\$114,629	\$118,068	\$121,610	\$125,258
Utilities	1.03	\$66,000	\$67,980	\$70,019	\$72,120	\$74,284	\$76,512	\$78,807	\$81,172	\$83,607	\$86,115
Insurance	1.03	\$25,500	\$26,265	\$27,053	\$27,865	\$28,700	\$29,561	\$30,448	\$31,362	\$32,303	\$33,272
Replacement Reserve	1.03	\$19,500	\$20,085	\$20,688	\$21,308	\$21,947	\$22,606	\$23,284	\$23,983	\$24,702	\$25,443
Other	1.03	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>		<b>\$489,070</b>	<b>\$504,375</b>	<b>\$519,436</b>	<b>\$534,948</b>	<b>\$550,923</b>	<b>\$567,376</b>	<b>\$584,320</b>	<b>\$601,771</b>	<b>\$619,743</b>	<b>\$638,253</b>
Net Operating Income		<b>\$1,271,936</b>	<b>\$1,322,112</b>	<b>\$1,360,451</b>	<b>\$1,399,907</b>	<b>\$1,440,512</b>	<b>\$1,482,301</b>	<b>\$1,525,308</b>	<b>\$1,569,569</b>	<b>\$1,615,120</b>	<b>\$1,661,999</b>
Debt Service		\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549
Coverage Ratio		1.25	1.30	1.34	1.38	1.42	1.46	1.50	1.54	1.59	1.63
<b>Pre-Tax Cash flow</b>		<b>\$254,387</b>	<b>\$304,563</b>	<b>\$342,902</b>	<b>\$382,358</b>	<b>\$422,963</b>	<b>\$464,752</b>	<b>\$507,759</b>	<b>\$552,020</b>	<b>\$597,571</b>	<b>\$644,450</b>

<u>2026</u> 11	<u>2027</u> 12	<u>2028</u> 13	<u>2029</u> 14	<u>2030</u> 15	<u>2031</u> 16	<u>2032</u> 17	<u>2033</u> 18	<u>2034</u> 19	<u>2035</u> 20
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$348,236	\$356,942	\$365,865	\$375,012	\$384,387	\$393,997	\$403,847	\$413,943	\$424,291	\$434,899
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$2,065,062	\$2,127,014	\$2,190,824	\$2,256,549	\$2,324,245	\$2,393,973	\$2,465,792	\$2,539,766	\$2,615,959	\$2,694,437
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$60,543	\$62,360	\$64,231	\$66,157	\$68,142	\$70,186	\$72,292	\$74,461	\$76,695	\$78,995
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$2,473,841	\$2,546,315	\$2,620,920	\$2,697,718	\$2,776,775	\$2,858,156	\$2,941,931	\$3,028,169	\$3,116,945	\$3,208,332
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(\$103,253)	(\$106,351)	(\$109,541)	(\$112,827)	(\$116,212)	(\$119,699)	(\$123,290)	(\$126,988)	(\$130,798)	(\$134,722)
(\$3,027)	(\$3,118)	(\$3,212)	(\$3,308)	(\$3,407)	(\$3,509)	(\$3,615)	(\$3,723)	(\$3,835)	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$2,367,561	\$2,436,846	\$2,508,167	\$2,581,583	\$2,657,155	\$2,734,948	\$2,815,026	\$2,897,458	\$2,982,312	\$3,073,610
\$118,378	\$121,842	\$125,408	\$129,079	\$132,858	\$136,747	\$140,751	\$144,873	\$149,116	\$153,680
\$122,054	\$125,716	\$129,488	\$133,372	\$137,373	\$141,495	\$145,739	\$150,112	\$154,615	\$159,253
\$138,692	\$142,853	\$147,139	\$151,553	\$156,099	\$160,782	\$165,606	\$170,574	\$175,691	\$180,962
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$129,016	\$132,886	\$136,873	\$140,979	\$145,209	\$149,565	\$154,052	\$158,673	\$163,434	\$168,337
\$88,698	\$91,359	\$94,100	\$96,923	\$99,831	\$102,826	\$105,911	\$109,088	\$112,361	\$115,731
\$34,270	\$35,298	\$36,357	\$37,448	\$38,571	\$39,728	\$40,920	\$42,148	\$43,412	\$44,714
\$26,206	\$26,993	\$27,802	\$28,636	\$29,495	\$30,380	\$31,292	\$32,231	\$33,197	\$34,193
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$657,315	\$676,948	\$697,167	\$717,991	\$739,436	\$761,523	\$784,271	\$807,698	\$831,825	\$856,871
\$1,710,245	\$1,759,899	\$1,811,000	\$1,863,592	\$1,917,719	\$1,973,424	\$2,030,756	\$2,089,760	\$2,150,487	\$2,216,738
\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549	\$1,017,549
1.68	1.73	1.78	1.83	1.88	1.94	2.00	2.05	2.11	2.18
\$692,696	\$742,350	\$793,451	\$846,043	\$900,170	\$955,875	\$1,013,207	\$1,072,211	\$1,132,938	\$1,199,189

**SURFSIDE COMMONS LLC  
C/O ATLANTIC DEVELOPMENT  
62 DERBY STREET  
HINGHAM, MA 02043**

---

August 19, 2015

Bob DeCosta, Chairman  
Board Of Selectmen  
16 Broad Street  
Nantucket, MA 02554

Dear Chairman DeCosta,

Atlantic Development is pleased to notify you and the Town of Nantucket that we have submitted a Project Eligibility Letter application for Surfside Commons to Massachusetts Housing Partnership (MHP). The application packet was submitted to MHP on August 19, 2015. An application packet has been provided to your office and the Nantucket Planning Department. We have also notified the Department of Housing and Community Development that we have filed a PEL application with MHP.

We are excited to pursue this initiative. As you know, there is a significant shortage of market rate and affordable housing available on Nantucket for working families and individuals. Due to its remote location, lack of available land and extremely high cost of housing, Nantucket has the most severe and urgent need for affordable housing of any community in Massachusetts. According to DHCD and Housing Nantucket, there are 4,896 year round housing units on Nantucket and only 121 affordable units. This is only 2.5% of the year round housing on the island. There are another 6,754 season housing units on Nantucket. Most of them are summer vacation homes and are not available for year round residents. With only 121 SHI qualified affordable housing units on Nantucket, the need for more units is evident.

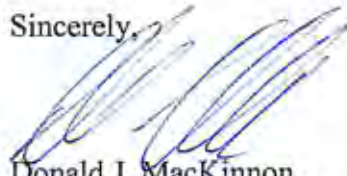
Surfside Commons includes 60 rental homes in three 2.5 story buildings and one 3.5 story building including 15 affordable units. The apartments buildings, club house and landscaping are carefully designed to reflect the “Nantucket Town” design elements seen on the Island. Surfside Commons will include one, two and three bedroom apartment homes. The amenities include a pool, exercise facility, clubhouse, and landscaped open space. The size, scale, and density of Surfside Commons are within the range of existing sustainable compact neighborhoods on Nantucket.

Surfside Commons will greatly expand the mixed-use rental housing opportunities on Nantucket. With only 121 SHI eligible housing units now on the Island, these new apartment homes will provide much needed quality housing to individuals and families.

This new neighborhood will be along the Surfside Road bike path, close to the Surfside/Fairgrounds bus stop. Its central location will enable Surfside Commons resident to walk or bike to the schools, the hospital, and the Mid-Island retail and commercial areas as well as to many recreational activities.

We look forward to working with the town of Nantucket and Massachusetts Housing Partnership through the process. Please let us know if you have any questions or require any additional information. We welcome the opportunity to meet with you and other interested stakeholders.

Sincerely,



Donald J. MacKinnon  
President, Atlantic Development  
Manager of Surfside Commons LLC

**SURFSIDE COMMONS LLC  
C/O ATLANTIC DEVELOPMENT  
62 DERBY STREET  
HINGHAM, MA 02043**

---

August 19, 2015

Chrystal Kornegay, Undersecretary  
Massachusetts Department of Housing and Community Development  
100 Cambridge Street, Suite 300  
Boston, MA 02114

Dear Ms. Kornegay,

Atlantic Development is pleased to notify DHCD that we have submitted a Project Eligibility Letter application for Surfside Commons to Massachusetts Housing Partnership. The application packet was submitted to MHP on August 19, 2015.

We are excited to pursue this initiative. Due to its remote location, lack of available land and extremely high cost of housing, Nantucket has the most severe and urgent need for affordable housing of any community in Massachusetts. According to DHCD and Housing Nantucket, there are 4,896 year round housing units on Nantucket and only 121 affordable units. This is only 2.5% of the year round housing on the island. There are another 6,754 season housing units on Nantucket. Most of them are summer vacation homes and are not available for year round residents. With only 121 SHI qualified affordable housing units on Nantucket, the need for more units is evident.

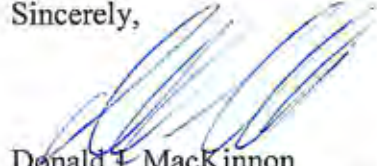
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We look forward to working with the town of Nantucket and Massachusetts Housing Partnership through the process. Please let us know if you have any questions or require any additional information.

Sincerely,



Donald J. MacKinnon  
President, Atlantic Development  
Manager of Surfside Commons LLC

### 3. Summary of Contacts Town Contacts and Community Outreach

During the summer of 2015, D.J. MacKinnon and other representatives of Atlantic Development met with many of the important stakeholders on Nantucket including: the Town Manager, planning staff, neighbors to the site, business leaders, representatives of the hospital, schools and other town officials. A partial list of the meetings is below.

Since Atlantic Development began working on Nantucket in 2010, it has been evident that there is a significant shortage of affordable housing and housing for working families.

During the permitting of previous projects on Nantucket, most officials, residents, and businesses, as well as school and hospital officials spoke of how the scarcity of moderately priced housing affected the existing work force and the difficulty in attracting and keeping new hires on Nantucket. The consensus expressed by most during the past five years was that carefully designed mixed income housing would be welcome on the island.

After looking at the severe need for housing on the island, Atlantic Development started looking for an opportunity to produce market rate and affordable rental housing.

Over the past few years, Atlantic Development has followed the press coverage on the need for housing and carefully analyzed the Workforce Housing Needs Assessment. As a result, Atlantic Development put together a preliminary housing plan to discuss with town leaders and residents.

Many indicated their support for the development of Surfside Commons. Many of the businesses expressed interest in reserving units for their workers.

8/03/15	Andrew Vorce, Nantucket Director of Planning
8/12/15	Elizabeth Gibson, Nantucket Town Manager
8/12/15	Dawn Holdgate, Board of Selectmen
8/12/15	Brian and Linda Davis, neighbors
8/12/15	Mary Beth Ferro, neighbor
8/13/15	Anne Kuszpa, Executive Director, Housing Nantucket
8/13/15	Michael Cozort, Nantucket Superintendent of Schools
8/13/15	Marianne Stanton, Editor and Publisher, The Inquirer and Mirror Newspaper
8/13/15	Dr. Margot Hartman, President & CEO, Nantucket Cottage Hospital

#### **4. History and Need for Affordable Housing on Nantucket**

Affordable housing has progressively become a more challenging issue on Nantucket due to many factors that no other community in Massachusetts faces. With its remote location, essential workers cannot commute to Nantucket on a daily basis and must therefore live on Nantucket.

The option for workers to commute from off island is seriously compromised by both the cost of the round trip ferry or plane tickets, the length of the commute by ferry or plane and the uncertainty of the weather, which results in many days that workers cannot get on or off the island.

The Town of Nantucket ("Town"), despite the efforts of various housing advocates and officials, has a small number of affordable housing units on the island.

Nantucket has an undeniable shortage of price-appropriate housing for people who work on Nantucket throughout the year. The lack of affordably priced housing is a barrier to a decent quality of life for workers and their families and an obstacle to hiring qualified people for some specialized positions.

According to DHCD and Housing Nantucket, there are 4,896 year round housing units on Nantucket and only 121 affordable units on the DHCD Subsidized Housing Inventory ("SHI") in the Town. This is only 2.5% of the housing on the island. 45 of the affordable units have use restrictions that may expire in the next few years. Despite the extreme need for family and workforce housing, many of the affordable units on Nantucket are age restricted. There are another 6,754 seasonal housing units on Nantucket. Most of them are summer vacation homes and are not available for year round workers.

Nantucket needs 368 more units before 10% of its housing is affordable. The Town has created a small number of additional units that are targeted for residents who have incomes between 100% and 150% of Area Median Income ("AMI") but they are not included in the SHI. The Town recently approved Sachem Path, a 36 unit home ownership development, but only 8 of the units will be SHI eligible.

In the past 10 years, there has been an increase of 2,400 housing units created on the island, only 21 of which are affordable.

The main reasons for the lack of progress in creating affordable housing are:

- Scarcity of buildable land on Nantucket. Since much of the land on the island is now under a conservation restriction, over 60% of the land on island is undevelopable. 32% of the island is substantially built out under existing zoning, leaving only about 8% of the island is available for potential new development.
- The scarcity of land and the desirability of the island as a vacation destination have driven land and home values beyond the reach of most working people on Nantucket. According to Banker & Tradesmen, the median home price for the first half of 2015 is \$1.2 Million.
- The difficulty of getting any multifamily developments (at either affordable or reduced rates) permitted and built creates a very long and expensive permitting process. The uncertain outcome of gaining Town Meeting approval or approvals from various boards and commissions discourages most entities from this long and arduous process.

**Table 12. Nantucket's Chapter 40B Inventory (2015)**

<b>Development</b>	<b>Location</b>	<b>Housing Type</b>	<b>SHI Units</b>	<b>Restriction Expires</b>	<b>Subsidizing Agency</b>
Miacomet Village I	3 Manta Drive	Rental	10	Perpetual	DHCD
Miacomet Village I	3 Manta Drive	Rental	12	Perpetual	DHCD
Miacomet Village II	Norquarta Drive	Rental	19	5/1/2047	FHLBB, RHS
Housing Authority	Benjamin Drive	Rental	5	Perpetual	HUD
Academy Hill School	Westminster St.	Rental	27	12/1/2016	MassHousing, HUD
Landmark House	144 Orange St.	Rental	18	2015*	HUD 202, RHS
Landmark House II	Orange St.	Rental	8	2041	FHLBB, HUD
DMH Group Homes	Confidential	Rental	5	N/A	DMH
Norquarta Drive	Norquarta Drive	Rental	2	Perpetual	DHCD
Dartmouth Street	Dartmouth Street	Rental	2	Perpetual	Town of Nantucket
Norwood Street	Norwood Street	Rental	1	Perpetual	Town of Nantucket
Irving Street	Irving Street	Rental	1	Perpetual	Town of Nantucket
Clarendon Street	Clarendon Street	Rental	1	Perpetual	Town of Nantucket
Abrem Query	2-4-6-8 Folger Ave	Own	7	Perpetual	FHLBB
Beach Plum Village	15-19 Rugged Rd; 6-8 Scotts Ways	Own	3	Perpetual	MassHousing

Sources: DHCD, Housing Nantucket

## **5. Nantucket Workforce Housing Needs Assessment, Summary of key finding and recommendations**

In 2014, Housing Nantucket commissioned RKG Associates Inc to produce a housing needs assessment. The April 2015 report, Workforce Housing Needs Assessment, eloquently outlines the challenges of implementing strategies for creating housing that meets the needs of the work force on Nantucket. A full copy of the report is attached hereto as Exhibit A and a summary of its key findings and recommendations is below.

- Homeownership is cost prohibitive for 90 percent of the island's year-round households. (Pg. i)
- The island's beauty conveys an image of Nantucket that masks the hardships many house holds contend with in order to live and work there. (pg. 6)
- Make better use of Chapter 40B to create affordable housing for working families. (pg. 35).
- There is an undeniable shortage of price-appropriate housing for people with year-round, living-wage employment: the professional, technical, administrative, education, and health care employees of public- and private-sector establishments. (Pg. 6)
- In the thirteen years since Ryan completed his report, and despite an overall population growth rate of 14 percent, affordable housing for low-or moderate-income people represents less than 1 percent of all housing growth that has occurred on Nantucket. (pg. 2)
- Nantucket's population grew another 6.7 percent between 2010 and 2014: more than double the statewide growth rate. In the Census Bureau's most recent population estimate Nantucket is currently classified as one of the 100 fastest growing counties in the nation. (pg. 8)
- There are 264 housing units currently listed for sale on Nantucket. The median asking price is \$2,295,000. The Inquirer and Mirror recently reported that as of March 31, Nantucket's median housing sale price was \$1.6 million. (pg. ii)
- During March-April 2015, the only year-round rentals in the Inquirer and Mirror's classified ads have been furnished rooms in a private residence, a partially furnished one-bedroom apartment in Madaket for \$2,000/month, and a four-bedroom home without a published asking rent. (pg. iii)
- Over 60 percent of the island is undevelopable. The extensive open space and recreation network that exists on Nantucket today has had an indelible impact on housing values. Very little of the island's land supply is available for housing growth and 32 percent of the island is substantially built out under existing zoning, leaving about 8 percent potentially available for new development. (pg. 6)

APPENDED SECTION VI:  
Sustainable Development  
Characteristics



## **Sustainable Development Characteristics**

The development of Surfside Commons follows many of the Sustainable Development Principals set forward by the Commonwealth of Massachusetts. While doing any development on Nantucket creates unique challenges, the location and design of Surfside Commons lends itself to Smart Growth Principals.

Surfside Commons also follows many of the recommendations found in the 2015 Workforce Housing Needs Assessment created by Housing Nantucket. The document was the result of a collaborative effort by most of the town of Nantucket housing advocates, planning staff, Selectmen, businesses and many other local stakeholders.

### **1. Concentrate Development and Mix Uses**

The location of Surfside Commons supports the mid-island area of Nantucket by providing workforce rental housing in close proximity to schools, the hospital and shopping. Its compact design conserves land, protects historic resources, and integrates uses. It uses an existing residential property rather than new construction in undeveloped areas. It also promotes a pedestrian friendly neighborhood that mixes commercial, civic, cultural, educational, and recreational activities with open spaces and homes.



### **2. Advance Equity**

The development of Surfside Commons is a result of a town wide planning process to assess the housing needs on Nantucket. It promotes equitable sharing of the benefits and burdens of development; provides technical and strategic support for inclusive community planning and decision making to ensure social, economic, and environmental justice; and ensures that the interests of future generations are not compromised by today's decisions.

### **3. Make Efficient Decisions**

Creating housing by using the Comprehensive Permit process makes for a permitting process that is clear, predictable, coordinated, and timely in accordance with smart growth and environmental stewardship.



### **4. Protect Land and Ecosystems**

The land proposed for Surfside Commons is already used for housing and does not include alteration of environmentally sensitive lands, agricultural lands, critical habitats, wetlands and water resources, or cultural and historic landscapes.

## 5. Use Natural Resources Wisely

The design of Surfside Commons promotes developments, building, and infrastructure that conserve natural resources by efficient use of land, energy, water, and materials.

## 6. Expand Housing Opportunities

Surfside Commons will provide much needed housing units to meet the needs of people of various abilities, income levels, and household types. It will be built near jobs and public transit. It will consist of multifamily buildings that are compatible with the community's character and vision and with providing new housing choices for people of all means.

## 7. Provide Transportation Choices

Residents of Surfside Commons will be able to utilize bus and surface transit including bicycling, and walking.



## 8. Increase Job and Business Opportunities

The new housing at Surfside Commons will help support the growth of local businesses by attracting new employees to the mid-island businesses, the hospital, and schools.



## 9. Promote Clean Energy

Surfside Commons will be built using a variety of green technologies to maximize energy efficiency and renewable energy opportunities.



## 10. Plan Regionally

The new apartments at Surfside Commons will allow more workers to live on Nantucket and decrease workers' dependency on the daily commute to Nantucket by plane or boat.

EXHIBIT A



# WORKFORCE HOUSING NEEDS ASSESSMENT

---

Nantucket, Massachusetts

April 2015

Prepared for:  
Housing Nantucket

**RKG**  
ASSOCIATES INC

WORKFORCE HOUSING NEEDS ASSESSMENT  
Nantucket, Massachusetts  
April 2015

Prepared for:  
Housing Nantucket



## Table of Contents

Acknowledgments.....	i
Executive Summary .....	i
Snapshot: Housing on Nantucket .....	ii
Introduction.....	2
Demographic Profile .....	6
Population Trends .....	7
Household Trends.....	15
Housing Characteristics.....	19
Existing Inventory .....	19
Occupancy, Tenure, and Household Size.....	22
Income, Tenure, and Housing Costs.....	23
Price-Restricted Housing.....	28
Local Workforce Housing Efforts.....	31
Moving Forward.....	35
Actions .....	35
Appendix A: Glossary.....	40
Appendix B: National Look at Workforce Housing Initiatives.....	46
Key West, Florida .....	46
Breckenridge, Colorado .....	49
Champlain Housing Trust (Champlain Region, VT) .....	51
Appendix C: Inclusionary Zoning Training Materials for Citizen Planner Training Collaborative.....	54

# ACKNOWLEDGMENTS

Housing Nantucket would like to thank the following individuals and organizations for their interest and participation in this project:

## **Funding Sources:**

Community Foundation of Nantucket  
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Nantucket Planning and Economic Development  
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Nantucket Island Resorts  
ReMain Nantucket

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Andrew Vorce  
Linda Williams  
Carla Zenis and family

## **Photography:**

Anne Kuszpa  
Laurie Richards  
George Riethof  
Michael Rynes

# EXECUTIVE SUMMARY

## Key Findings

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- Nantucket has an **undeniable shortage of price-appropriate housing for people who work on Nantucket throughout the year**. The lack of affordably priced housing is a barrier to a decent quality of life for workers and their families and an obstacle to hiring qualified people for some specialized positions.
- Nantucket has **11,650 housing units: 64 percent seasonal and 36 percent year-round**.
- The median home price on Nantucket is \$1.2M, yet the median family income is \$92,800. **Homeownership is prohibitive for 90 percent of the island's year-round households**.
- The year-round and seasonal rental supply is conspicuously limited at all bedroom size and market levels. The greatest year-round demand is for two-bedroom units. **Nantucket needs to focus on creating reasonably priced rental housing for families if it expects to attract and keep workers over the long run**.
- Roughly 55 percent of Nantucket's homeowners and 40 percent of its renters struggle to pay for the housing units they occupy. **Half of all year-round households are housing-cost burdened**.
- Most of Nantucket's **un-affordably housed renters are working-age people**, especially below age 34.
- The **number of owner-occupied homes has decreased** by 640 units or 5.5 percent since 2000.
- According to recent population estimates from the Census Bureau, 10,856 people in 4,200 households live on Nantucket year-round. **The Town's population has increased approximately 14 percent since 2000**.

## Potential Approaches

---

- **Develop rental housing on Town-owned land**, including units for single people and families.
- **Allow relocated units to be placed on nonconforming lots**, subject to an affordable housing covenant.
- **Commit all Community Preservation Act (CPA) funding to housing** (except the statutory set-asides for open space and historic preservation).
- **Encourage the Nantucket Land Bank to adopt a housing policy** and partner with the Town, Housing Nantucket, and others to create affordable housing.
- **Use Low Income Housing Tax Credits (LIHTC) and state and federal resources** to increase the supply of safe, decent, sanitary rental housing.
- **Seek special legislation to establish a Housing Bank** and create shared equity housing, e.g., a land trust or buy-downs of lower-end units while they still exist.
- **Embrace inclusionary zoning** in all areas not zoned for very-low-density residential development.
- **Strengthen code enforcement**.
- **Seek special legislation to provide tax-relief and other incentives** to develop accessory units and tertiary dwellings for affordable housing.
- **Relieve sewer connection and other permitting fees** for affordable housing developments.



"...housing Nantucket people since 1994."

**RKG**



## SNAPSHOT: HOUSING ON NANTUCKET

### Housing Inventory

---

**Q** How many housing units does Nantucket currently have?

**A** *According to the U.S. Census Bureau, Nantucket's total housing inventory – including year-round and seasonal housing – includes 11,650 units.*

**Q** What percent are occupied year round? Seasonally?

**A** *Approximately 36 percent of Nantucket's housing units are occupied year round. Seasonal units account for 62 percent of the housing on Nantucket.*

**Q** What percent are owner-occupied? Year-round?

**A** *The Census Bureau estimates that 66 percent of Nantucket's year-round housing units are owner-occupied. The number of seasonal units occupied by the owners is unknown.*

**Q** How many rental units? What percent are occupied year round? Seasonally?

**A** *Nantucket has approximately 1,640 year-round rental units. The number of seasonal units for renters is unknown.*

**Q** Have units that used to be year-round rental units been sold and taken out of the year-round market? If so, how are they used now (Seasonal? Rental? Owner-occupied?)

**A** *According the Census Bureau, year-round housing growth has not kept pace with seasonal housing growth. From 2000 to 2010, Nantucket reportedly gained a total of 2,408 units, including 530 year-round occupied*

*and 1,552 seasonal. From 2010 to 2013, the Town gained 32 units, lost 160 year-round units, and gained 415 seasonal units. Thus, some units that were previously used as year-round housing have converted to seasonal homes.*

**Q** What is the availability of seasonal housing for workers?

**A** *The Census Bureau reports only the total number of seasonal housing units, not whether the units are for homeowners, year-round renters, or seasonal workers. Some of the island's employers provide housing for seasonal workers, e.g., Nantucket Island Resorts, which owns facilities with a combined total of 210 beds.*

## Housing Prices

---

**Q** What is the availability of year-round homeownership opportunities on the market? At what price are these available?

**A** *There are 264 housing units currently listed for sale on Nantucket. The median asking price is \$2,295,000. The Inquirer and Mirror recently reported that as of March 31, Nantucket's median housing sale price was \$1.65 million. According to the newspaper, "The lowest-priced detached single-family home currently on the market is a four-bedroom, one-bathroom 1,272-square-foot "fixerupper" on MacLean Lane listed at \$599,000."*

**Q** What is the availability of year-round rental opportunities on the market? At what price are these available?

**A** *It is difficult to document the number of year-round units that are available for rent at any given time. Rentals often happen by word of mouth or through other informal means. In the past two months (March-April 2015), classified ads in The Inquirer and Mirror have included some summer and winter rentals, but the only year-round rentals have been furnished rooms in a private residence, a partially furnished one-bedroom apartment in Madaket for \$2,000/month, and a four-bedroom home without a published asking rent.*

**Q** What is under construction on Nantucket?

**A** *According to the Planning Department, 127 housing units were built on Nantucket in 2014.*

## Affordable Housing

---

**Q** Where are low- and moderate-income residents currently living?

**A** *The U.S. Department of Housing and Urban Development (HUD) estimates that 36 percent of Nantucket's year-round residents have low or moderate incomes. Most live in Mid-Island/Surfside and South-of-Town neighborhoods. (See Map 1 for a guide to census tract and place names used in this report.)*

**Q** How many residents continue to live the "Nantucket Shuffle"?

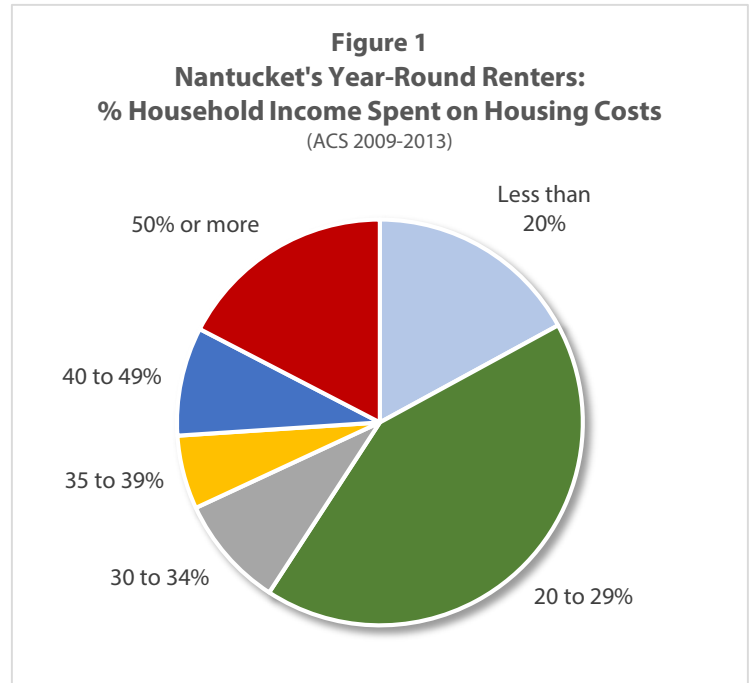
**A** *In 2014, Sustainable Nantucket estimated nearly 23 percent of the island's renters (about 300 households) are under ten-month leases.*

**Q** How do prevailing rents compare with household income?

**A** *The Census Bureau reports that 41 percent of Nantucket renters spend more than 30 percent of their monthly income for housing (rent and basic utilities). Seventeen percent spend 50 percent or more – a condition known as **worst-case housing needs**.*

**Q** How many "substandard" units (basements and garages) are there, and what enforcement is available to insure the safety of residents living in them?

**A** *The number of substandard units is unknown. Nantucket's Building Inspector is reluctant to release the information, but a source affiliated with the Nantucket Interfaith Council estimates that Nantucket has "hundreds" of illegal units, most of which have one or more code violations. Since Town Meeting just amended the Zoning Bylaw to relax the requirements for accessory apartments and provide for "tertiary" dwelling units, it should be easier for people with illegal units to bring them to code.*



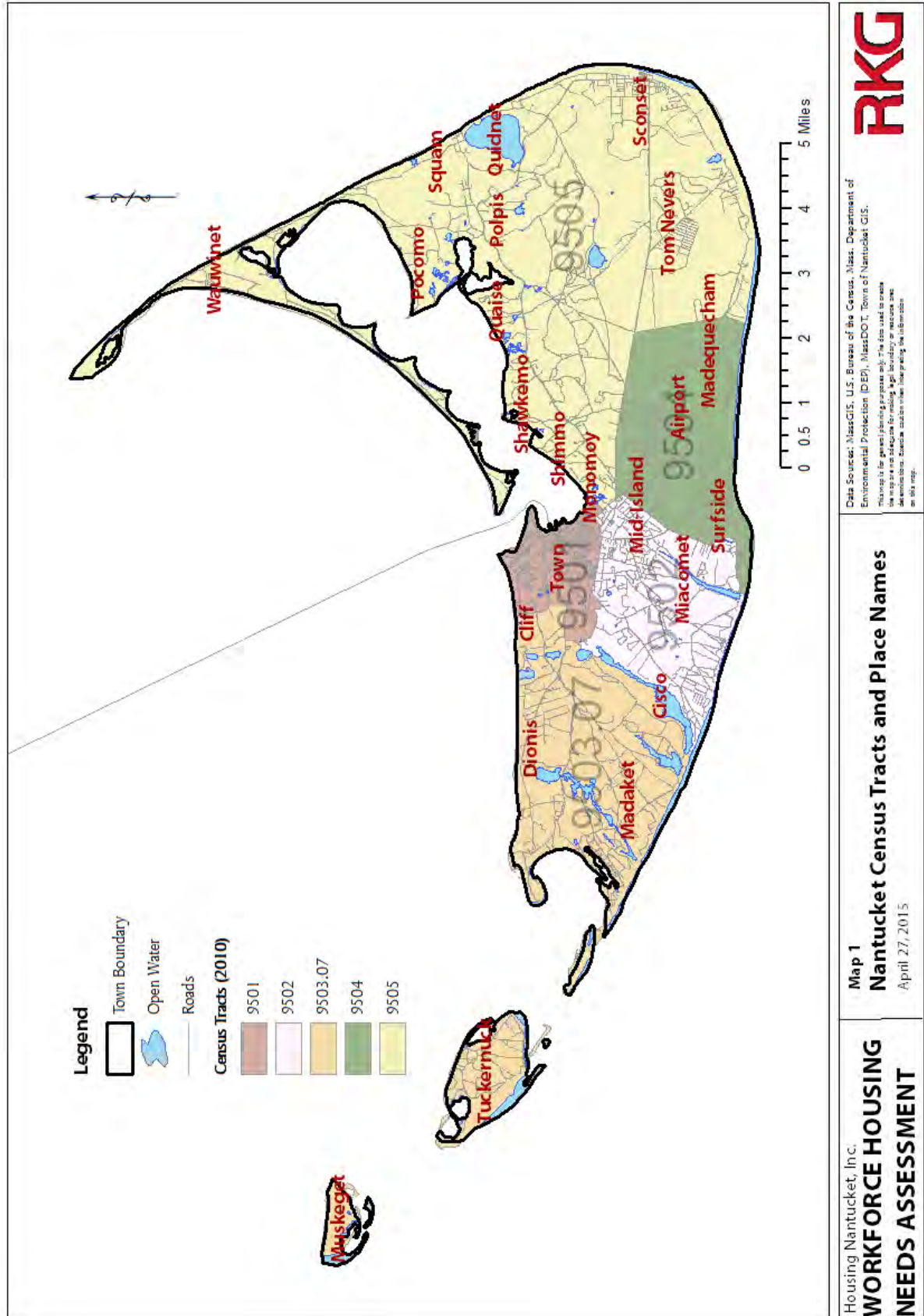
**Q** How many families are living in multi-family living situations, i.e., overcrowding?

**A** *According to the Census Bureau, there are 188 over-occupied housing units on Nantucket (more than one person per room), including sixty-nine severely crowded units (more than 1.5 people per room). However, many observers think the Census Bureau has underestimated the incidence of overcrowding.*



**Q** Do affordable deed restrictions pose a deterrent to the sale of affordable homes?

**A** *No – as long as the units are not also age-restricted. If anything, affordable housing restrictions can accelerate the speed of sales, especially if the income limits are targeted to a community's actual housing needs. In a heated housing market like Nantucket, affordable deed restrictions can both stimulate economic diversity and effectively preserve affordable units.*



# INTRODUCTION

In December 2014, Housing Nantucket commissioned a study of Nantucket's workforce housing needs. In doing so, Housing Nantucket sought to focus attention on a problem much-discussed but not systematically analyzed for many years: barriers to appropriately priced housing the island's low-, moderate-, and middle-income workers. This report updates and expands upon a year-round housing needs assessment prepared by John Ryan of Development Cycles in 2002. Among Ryan's key observations: "That there is a housing need is surely obvious to anyone paying attention. The cost and availability of housing permeates all aspects of community life on Nantucket."<sup>1</sup> Remarkably, in the thirteen years since Ryan completed his report, and despite an overall population growth rate of 14 percent, affordable housing for low- or moderate-income people represents less than 1 percent of all housing growth that has occurred on Nantucket. Further exacerbating the problem, seasonal housing accounts for 65 percent of Nantucket's housing growth and plays a significant role in the island's shortage of affordable units for workers.

Significant strides have happened since Ryan's report, but they are not easy to quantify. With support from the community, local non-profit Housing Nantucket has flourished as an agency dedicated to creating affordable housing solutions for Nantucket. In addition, housing units created by local programs provide secure housing for some of Nantucket's year-round residents, yet the units do not qualify for inclusion in the state's Chapter 40B Subsidized Housing Inventory (SHI). Nevertheless, housing remains widely recognized as the most critical issue facing the island community.

## What is Workforce Housing?

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Coined in the Millennial Housing Commission's final report, *Meeting Our Nation's Housing Challenges* (2002), the term "workforce housing" loosely means affordably priced housing for people near their place of employment. Nevertheless, a survey of recent housing literature shows that "workforce housing" has different meanings. The differences stem, in part, from the desire of policy analysts to define "workforce housing" as a percentage of area median income (AMI) – a practice long used to measure housing affordability problems in metropolitan areas. Although federal housing programs differ significantly, all of them involve some type of income cutoff that determines whether a household qualifies for help. The cutoffs range from 30 percent to 80 percent AMI for many programs, but some are intended for higher income groups that are nevertheless priced out of a local market, e.g., 95 or 120 percent. Through special legislation several years ago, Nantucket adopted an unusually high standard, 150 percent AMI, as the income limit for locally administered workforce housing assistance.<sup>2</sup>

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<sup>1</sup> John Ryan, *Housing Our Community: A Year-Round Housing Needs Assessment* (ca. 2002), 1.

<sup>2</sup> Authorized by Chapter 301 of the Acts of 2002. At the time that Nantucket sought permission from the legislature to provide what is now known as the Nantucket Housing Needs Covenant Program, the governor's office gave priority consideration for state grants to communities that could prove they were producing new housing for a broad range of incomes, up to 150 percent AMI. Upon demonstrating that they met the governor's housing production goals under Executive Order 418, communities became eligible for certification. Nantucket was among the communities that qualified for certification.

Over the past decade, the term “workforce housing” has gained popularity throughout the U.S. as an alternative to “affordable housing.” This complicates matters further because the income that distinguishes “workforce” from “affordable” is not at all clear. If “workforce” means young professionals such as teachers or social workers, the income target could range from 80 to 120 percent AMI: the standard typically used by the U.S. Department of Housing and Urban Development (HUD) and others. If it includes the employees of a bakery or ice cream shop, a convenience store, or the housekeeping department of a hotel, the income threshold could be as low as 30 percent AMI. On the opposite end of the spectrum, public safety or healthcare professionals could earn 200 percent AMI. Each group works, yet their housing needs are quite different. The strategies required to create appropriately priced housing for the spectrum of Nantucket’s workforce will be quite different, too. While there will never be a “one-size-fits-all” solution for addressing the housing challenges at all income levels, the greatest benefit will be felt by addressing a set of overlapping problems: a seriously deficient middle-bracket housing supply and a shortage of deep subsidies. As noted in a 1998 report by the Jonathan Rose Companies, each sector with affordable housing needs is competing with the other for the same limited resource.<sup>3</sup>

### Local Efforts

The Town of Nantucket, the Nantucket Housing Authority, Housing Nantucket, and other organizations have taken steps to increase the supply of affordably priced housing. For example, the Town provides some zoning incentives to create housing for lower- and middle-income households, including but not limited to “bonus lots” in cluster subdivisions, provisions for “employer dormitories,” accessory apartments, and multifamily housing in selected locations.<sup>4</sup> In 2002, the Town created what is now known as the Nantucket Housing Needs Covenant Program under a special act of the legislature.<sup>5</sup>



<sup>3</sup> Jonathan Rose Companies, “Affordable Housing in Nantucket” (November 1998), 1.

<sup>4</sup> *Nantucket Master Plan* (2009), 51-52.

<sup>5</sup> Authorized by Chapter 301 of the Acts of 2002. At the time that Nantucket petitioned the legislature for this program, the governor’s office gave priority consideration for state grants to communities that could prove they were producing new housing for a broad range of incomes, up to 150 percent AMI. Upon demonstrating that they met the

The program allows the owners of a lot with two dwelling units to sell one subject to a covenant that perpetually restricts the sale price and limits homebuyer eligibility to households with income not exceeding 150 percent AMI.<sup>6</sup> The Town also operates a skilled nursing facility for seniors and owns several units for town and school employees. Nantucket has other types of housing assistance for individuals and families with lower incomes, such as thirty-one public housing units owned and managed by the Nantucket Housing Authority and a rental housing assistance program managed by Nantucket's Interfaith Council. These and other initiatives are described later in this report. Nevertheless, the force of Nantucket's housing market and shrinking supply of developable land have simply overpowered the noble efforts of housing advocates and the Town.

## Notes on Census Data

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This study incorporates data from a wide variety of sources, including Housing Nantucket, the Town of Nantucket, previous plans and studies for the Town and other organizations, state agencies such as MassGIS and the Department of Housing and Community Development (DHCD), the U.S. Department of Housing and Urban Development, and the U.S. Department of Commerce, Bureau of the Census. Since "the Census" actually encompasses many different surveys and programs, we have combined information from multiple datasets.

- **The Decennial Census of Population and Housing.** The decennial census is the official source for determining a community's year-round population and year-round housing stock. Statistics from Census 2010, Census 2000, and in some cases earlier census tables appear throughout this report. However, the decennial census does not provide socioeconomic characteristics that are critical for a housing study, e.g., household income or poverty, or housing characteristics such as housing age, prices, and sizes. For these statistics, planners must turn to the American Community Survey (ACS).
- **The American Community Survey (ACS).** Since the late 1990s, the Census Bureau has been developing a new sample of the population that now replaces the old "long form" census tables known as Summary File 3. The new program, the ACS, generates **estimates** from a small survey sample, but the Census Bureau conducts a new survey each month and the results are aggregated to provide a similar, "rolling" dataset on a wide variety of topics. For geographies with 65,000 people or more, such as counties, states, and large metro areas, ACS data are released every year; for small towns like Nantucket, the data are reported as five-year rolling tabulations. The most recent ACS five-year dataset covers the period 2009-2013.

**It is important to note that ACS data are estimates, not actual counts.** As a result, it can be challenging to compare ACS with the decennial census.

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governor's housing production goals under Executive Order 418, communities became eligible for certification. Nantucket was among the communities that qualified for certification.

<sup>6</sup> Unless the owner of a two-unit property agrees to an affordability covenant, both units must remain in one ownership.

- **HUD Consolidated Planning/ Comprehensive Housing Affordability Strategy (CHAS) Data.** Created through a combined effort of the U.S. Department of Housing and Urban Development (HUD) and the U.S. Census Bureau, this dataset represents a “special tabulation” of the American Community Survey (ACS) data to provide information on HUD-specific income categories and housing data used for Consolidated Planning at the local level. According to the HUD guidance, “these special tabulation data provide counts of the numbers of households that fit certain combinations of HUD-specified criteria such as housing needs, HUD-defined income limits (primarily 30, 50, and 80 percent of median income) and household types of particular interest to planners and policy-makers.” The most recent CHAS Data are based on ACS estimates for 2007-2011.

## DEMOGRAPHIC PROFILE

Nantucket is home to approximately 10,856 year-round residents.<sup>7</sup> Its population and household characteristics differ from those of the state as a whole, though in fairly predictable ways given Nantucket's island environment and seasonal resort economy. On one level, Nantucket has qualities in common with some communities on Cape Cod and Martha's Vineyard: extraordinarily high housing values, high household wealth, and an economy that depends heavily on coastal tourism. On another level, Nantucket is quite different. Its population is comparatively young and diverse, and Nantucket is more remote. While communities like Chatham and Falmouth have become havens for retirees, Nantucket has gained both older and young residents, as can be seen in the island's school enrollment trends. In addition, Nantucket is both a town and a county, which is unusual.

Due to the prevalence of unbuildable land and protected open space on Nantucket, the island is a remarkably low-density community with about 226 people per square mile (sq. mi.): roughly one-fourth of the population density per sq. mi. for the Commonwealth. Nantucket is a national model for open space protection, due in large part to the Nantucket Islands Land Bank and the special legislation that created it in 1983. Over time, the Nantucket Land Bank Commission and other conservation groups have successfully acquired and taken steps to protect about half of Nantucket's land. With Nantucket's golf courses and other recreation facilities added to the mix, over 60 percent of the island is undevelopable. The extensive open space and recreation network that exists on Nantucket today has had an indelible impact on housing values, first because open space is a valuable residential amenity and second, very little of the island's land supply is available for housing growth. According to a report by the Nantucket Planning Department in 2009, 32 percent of the island is substantially built out under existing zoning, leaving about 8 percent potentially available for new development.<sup>8</sup> Together, Nantucket's open space and fairly restrictive zoning constrain the land supply and in turn, the housing supply.

Nantucket's expensive homes, limited range of housing, small employment base, and abundance of protected land help to explain its extremes: affluence on one hand, and seasonal workers with very low-paying jobs on the other hand. People with incomes in the ordinary "middle" – the main focus of this study – can be hard to find on Nantucket. There is an undeniable shortage of price-appropriate housing for people with year-round, living-wage employment: the professional, technical, administrative, education, and health care employees of public- and private-sector establishments. Nantucket is a very expensive place to live, and there are not that many jobs in the pay ranges required to afford Nantucket's high housing costs. The island's beauty conveys an image of Nantucket that masks the hardships many households contend with in order to live and work there. In addition, Nantucket has pockets of poverty, racial and ethnic minorities, and foreign-born populations in two of its five federal census tracts. Overcrowded housing conditions and substandard if not illegal units exacerbate these problems. For seasonal and year-round

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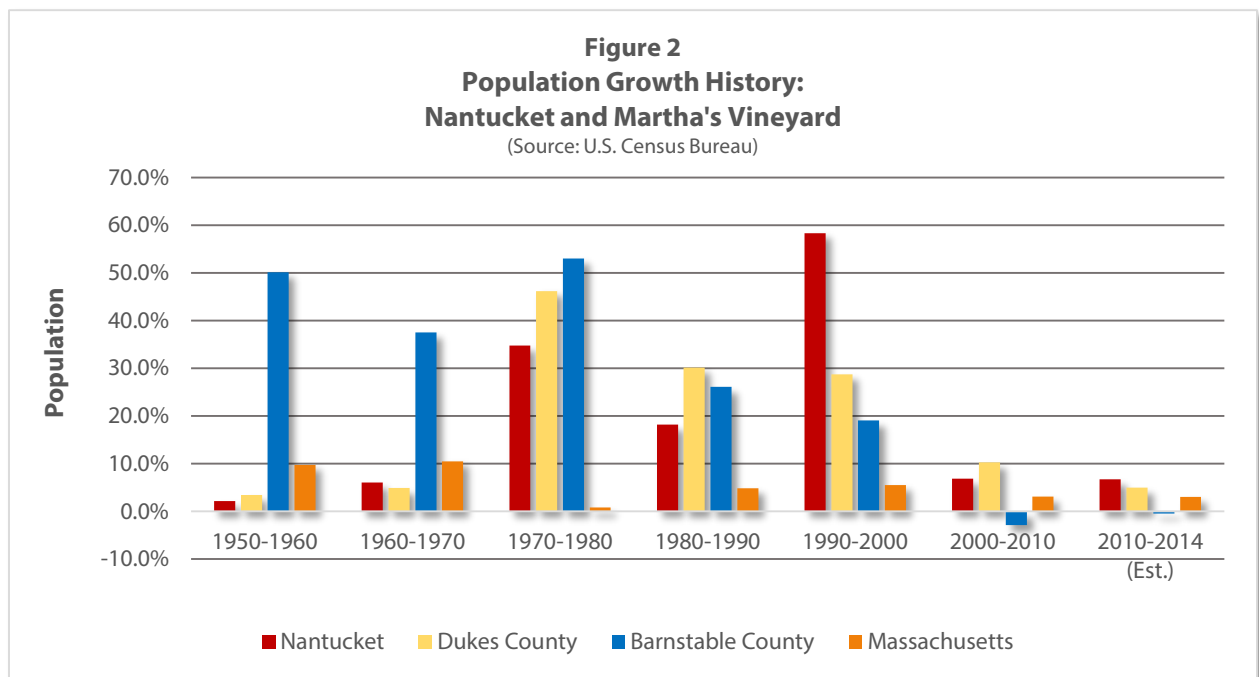
<sup>7</sup> U.S. Census Bureau, State & County Quick Facts 2014. Some residents believe the Census Bureau undercounts the total year-round population.

<sup>8</sup> *Nantucket Housing Production Plan* (2009), 12.

workers without living-wage jobs, Nantucket's housing barriers are even more complicated and difficult to address.

## POPULATION TRENDS

Many Nantucket residents might find it hard to imagine their town in 1980, when the population (5,087) was only half the number reported in Census 2010 (10,172). It makes sense that in 1983, a decade after adopting its first zoning bylaw, Nantucket completed a growth management plan and took further steps to reduce the island's development potential.<sup>9</sup> With special legislation, Nantucket created the Land Bank Commission and instituted a funding mechanism to pay for acquiring open space. During the 1970s, Nantucket's population had jumped 35 percent after several decades of relatively little change, and new homes were under construction at the rate of over one hundred per year. What had been a fairly small population difference between Nantucket and all of Martha's Vineyard during the Great Depression had gradually increased (Figure 2). This, together with unprecedented growth occurring throughout much of Cape Cod, formed the backdrop for actions taken on Nantucket to protect the town's land and water resources and its historic resources as well. Astute leaders at the time could foresee that as household formation rates and housing demand accelerated in the 1980s, Nantucket stood to absorb a considerable amount of new housing growth, perhaps more than it had the capacity to serve. Nantucket instituted rate-of-development controls and an annual cap on building permits in order to manage the impact of new growth on infrastructure and services.<sup>10</sup>



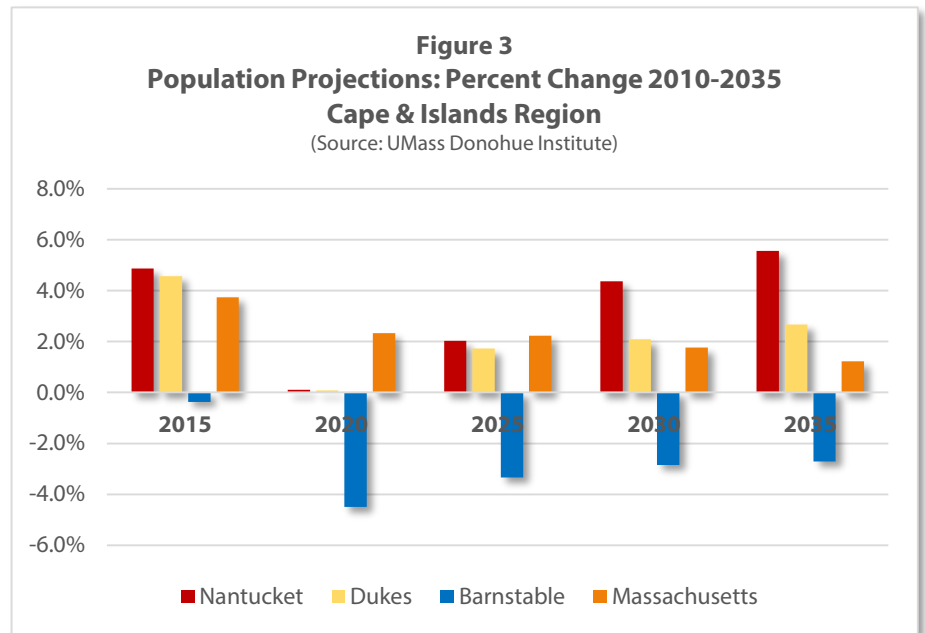
<sup>9</sup> Nantucket Planning & Economic Development Commission (NP&EDC), *Comprehensive Growth Management Plan, Vol. I, Goals and Objectives for Balanced Growth* (1983).

<sup>10</sup> N.B. These provisions lapsed in 2001.

More recently, Nantucket's total year-round population increased from 9,520 to 10,172 between 2000 and 2010, or 6.8 percent, surpassing all other Massachusetts counties except Dukes County, where the population rose by over 10 percent. According to the American Community Survey (ACS), Nantucket's population grew another 6.7 percent between 2010 and 2014: more than double the statewide growth rate. The Census Bureau's most recent population estimate for Nantucket is 10,856 (July 2014). Nantucket is currently classified as one of the 100 fastest growing counties in the nation, based on 2013-2014 one-year growth estimates.<sup>11</sup>

Nantucket has gained population faster than the UMass Donohue Institute (UMDI) predicted when it developed 25-year population projections in 2010. According to those projections (Figure 3), Nantucket's 2035 population will be approximately 12,004, including significant growth in the school-age and young adult age cohorts – unlike the state as a whole – and a 56 percent increase in seniors (65 and over). Nantucket also stands to lose ground in terms of working-age population 35 and over between now and 2035.<sup>12</sup>

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<sup>11</sup> U.S. Census Bureau, Population Division, "Resident Population Estimates for the 100 Fastest Growing U.S. Counties with 10,000 or More Population in 2013: July 1, 2013 to July 1, 2014 - United States – County." March 2015.

<sup>12</sup> UMass Donohue Institute (UMDI), *Population Projections for Massachusetts Municipalities*, prepared for the Massachusetts Secretary of State, March 2015.

Table 1. Population Projections by Age Group, Percent Change 2015-2035: Cape & Islands									
Age	Nantucket	Dukes	Barnstable	State	Age	Nantucket	Dukes	Barnstable	State
0-4	44.3%	5.5%	-9.6%	-0.2%	50-54	-24.0%	6.3%	-36.0%	-8.7%
5-9	10.2%	-9.6%	-14.2%	-0.1%	55-59	-7.0%	-6.9%	-39.1%	-10.9%
10-14	15.9%	-7.4%	-12.9%	-1.1%	60-64	4.9%	-28.7%	-30.6%	-0.7%
15-19	18.2%	10.8%	-20.6%	-1.5%	65-69	23.3%	-10.0%	-17.2%	19.3%
20-24	32.3%	12.3%	-26.8%	-7.7%	70-74	52.2%	47.9%	15.0%	68.0%
25-29	86.1%	-20.3%	-18.4%	-7.2%	75-79	86.0%	139.3%	44.0%	102.6%
30-34	18.2%	-22.7%	-17.6%	-2.1%	80-84	103.8%	161.7%	39.5%	88.7%
35-39	-19.1%	-3.6%	-11.4%	7.0%	85+	59.0%	76.7%	18.4%	45.8%
40-44	-26.4%	6.6%	-9.0%	14.1%	Total	12.5%	6.7%	-12.7%	7.8%
45-49	-37.5%	2.3%	-23.3%	3.7%	Change	1,337	1,162	-27,399	526,878
UMDI, Population Projections for Massachusetts Municipalities: Age and Sex (March 2015); and RKG Associates.									

Nantucket has some unique characteristics in terms of the age make-up of its year-round residents. Measured by median population age, Nantucket is not much different from the state: 39.4 years on Nantucket and 39.1 years statewide. However, there tend to be pockets of older and younger people in settlement patterns that coincide, in part, with other population characteristics such as race and income. For example, families with children under 18 make up a relatively large share of the population in Nantucket's Airport/Mid-Island and Surfside neighborhoods. In these areas, the median age drops to 35.2, and school-age children account for at least one-fourth of the total population; seniors, almost 10 percent.<sup>13</sup>

## RACE, ETHNICITY, AND CULTURE

Nantucket has more racial and cultural diversity than the state as a whole. This can be seen both in federal census data and demographic profiles of the Nantucket Public Schools. The Massachusetts Department of Elementary and Secondary Education (DESE) reports comparative socioeconomic data for all of the state's public school districts. According to the agency's website, 12 percent of Nantucket's school students are African American and 24 percent are Hispanic compared with 9 percent and 18 percent (respectively) for all of Massachusetts.<sup>14</sup> Minorities comprise approximately 19.5 percent of the population town-wide and 16.8 percent of the population in Massachusetts.

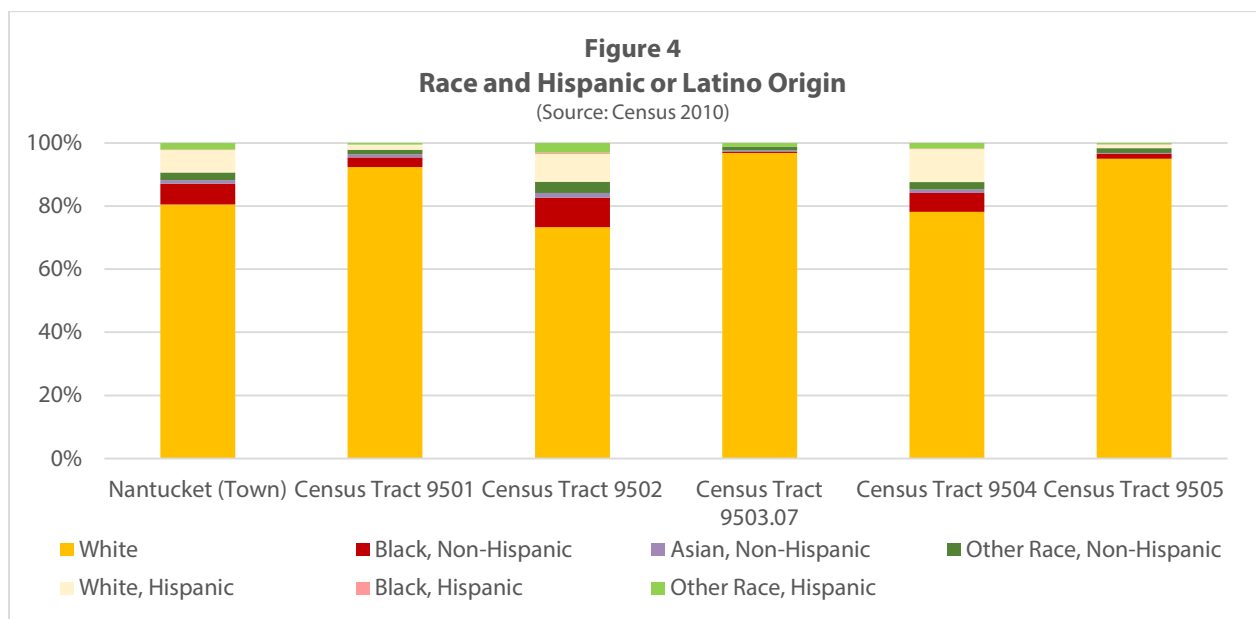
Racial and ethnic population characteristics matter, first for social equity reasons and second, because much tougher regulations under the federal Fair Housing Act (FFHA), a 1968 civil rights law, will be released in 2015. The FFHA prohibits housing discrimination against people on the basis of race or color, religion, sex, national origin, familial status (families with children under 18), or disability. Among other requirements, the new regulations will obligate local governments to affirmatively further fair housing and eliminate policies and practices that have the effect (however unintended) of housing discrimination against groups

<sup>13</sup> U.S. Census Bureau, Census 2010, DP-1.

<sup>14</sup> Massachusetts Department of Elementary and Secondary Education (DESE), School Profiles: Nantucket Public Schools.

the FFHA is designed to protect (“protected classes”). Eventually, enforcement and compliance will be linked to most federal funding programs – not only programs that provide funds for housing.

Although Nantucket is home to many minorities, community-wide race statistics mask the fact that Nantucket’s minority population is largely housed in one area. Ninety percent of Nantucket’s minority residents live in Airport/Mid-Island/Surfside neighborhoods and south of Town. For example, Nantucket’s most densely populated census tract, 9502 (Miacomet/Mid-Island/Cisco), houses 48 percent of the entire town-wide population but 69 percent of the African American population and 63 percent of the Hispanic population (Figure 4). From a fair housing perspective, differences such as these are known as **minority concentration areas**. Promoting higher-density housing in areas close to goods and services makes good planning and land use sense. However, when people have no choice but to live in certain parts of a community, local officials and housing advocates need to work closely with minority neighborhoods to provide more housing choices.



The percentage of **foreign-born** residents on Nantucket (16.6 percent) is larger than that of the state (15 percent). Most of Nantucket’s foreign-born population hails from countries such as the Dominican Republic and Jamaica in the Caribbean or from Central American countries such as Mexico or El Salvador.<sup>15</sup> In many cases, they come to Nantucket for work in the hospitality, food service, and recreation sectors, all of which depend on unskilled labor and provide a major source of jobs for immigrants throughout the U.S. Nantucket’s immigrant groups tend to concentrate in the Mid-Island area, as suggested in Table 2. Over one-fourth of the population in census tract 9504 includes people from other countries, and these neighborhoods also house a majority of Nantucket’s Spanish- and Portuguese-speaking residents.<sup>16</sup> An

<sup>15</sup> American Community Survey (ACS) 2009-2013 Five-Year Estimates, B05006, B16007.

<sup>16</sup> ACS 2009-2013, B16007.

unusually large percentage of children in the Nantucket Public Schools speak a language other than English at home, too (23.5 percent).

<b>Table 2. Foreign-Born Population by Citizenship and Origin (Estimated; 2013)</b>					
Location	Estimated Population	Foreign-Born	Foreign-Born Percent	Not Naturalized Citizen	Percent Foreign-Born from Latin America
Massachusetts	6,605,058	991,708	15.0%	49.5%	35.5%
Nantucket (Town)	10,224	1,694	16.6%	59.5%	66.5%
Census Tract 9501	1,650	124	7.5%	83.9%	34.7%
Census Tract 9502	4,481	878	19.6%	68.1%	70.2%
Census Tract 9503.07	340	7	2.1%	71.4%	0.0%
Census Tract 9504	2,402	620	25.8%	45.6%	70.6%
Census Tract 9505	1,351	65	4.8%	27.7%	46.2%
ACS 2009-2013, B05002, B05006, and RKG Associates. Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers					

Whether native or foreign-born, Nantucket's current population includes a much larger percentage of people with out-of-state origins than the state as a whole (Table 3). Less than half of Nantucket's residents are originally from Massachusetts, but of the population born out of state, one-fourth moved to Nantucket from elsewhere in New England or another part of the Northeast. The numbers are fairly small because Nantucket's population is small, but the percentages of Nantucket residents coming from other parts of the U.S. are noteworthy.

<b>Table 3. Current Population by Place of Birth (Estimated; 2013)</b>								
Location	Est. Population	Born in Massachusetts	Native, Born Out of State					Foreign-Born
			Northeast	Midwest	South	West	Abroad	
Massachusetts	6,605,058	62.8%	11.8%	2.6%	3.3%	1.9%	2.5%	15.0%
Nantucket (Town)	10,224	46.0%	23.6%	4.3%	5.3%	2.6%	1.8%	16.6%
Census Tract 9501	1,650	43.1%	28.2%	5.6%	10.2%	1.6%	3.7%	7.5%
Census Tract 9502	4,481	50.6%	17.1%	3.3%	4.5%	2.9%	2.0%	19.6%
Census Tract 9503.07	340	49.4%	34.1%	2.9%	5.6%	1.8%	4.1%	2.1%
Census Tract 9504	2,402	41.8%	23.2%	2.4%	2.8%	3.7%	0.3%	25.8%
Census Tract 9505	1,351	40.6%	37.5%	9.3%	6.1%	1.1%	0.6%	4.8%
ACS 2009-2013, B05002, and RKG Associates. Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers								

## LABOR FORCE

Compared with Massachusetts overall, Nantucket has a larger percentage of the population in the **labor force**, and in some parts of town the **labor force participation** rate is very high. Seventy-six percent of Nantucket's 16-and-over population is in the labor force (Table 4), and for the most part they are also

employed – at least seasonally. Unemployment on Nantucket can range from a low of 2 percent in July to a high of 15 percent in January,<sup>17</sup> but when seasonally adjusted, unemployment does not appear to be a major problem for the island’s year-round residents – many of whom are self-employed. Approximately 6 percent of Nantucket’s labor force works in a home occupation at least part of the work week, and this statistic runs as high as 13 percent in downtown neighborhoods. By contrast, just 2 percent of the workers in Mid-Island neighborhoods have home occupations, probably because so many have hospitality and food service jobs that require commuting to an employer establishment.

Nantucket has a reasonably well educated population. Its labor force matches the state for working-age population percent with a college degree or more (42.6 percent). Island-wide, Nantucket’s population without a high school diploma is less than the state’s, but many workers living in Mid-Island neighborhoods have limited education levels: nearly on par with the state for percent without a high school diploma. Education levels, wages, and poverty tend to go hand-in-hand.

**Table 4. Labor Force and Education Levels (Estimated; 2013)**

Location	Population 16 and Over		Educational Attainment				
	Total (Estimated)	In Labor Force	Population 16-64 (Estimated)	Less than high school	High school graduate	Some college	Bachelor's degree or higher
Massachusetts	5,371,252	67.7%	3,576,934	8.4%	23.6%	25.3%	42.6%
Nantucket (Town)	8,245	76.3%	6,164	4.4%	24.9%	28.1%	42.6%
Census Tract 9501	1,421	63.1%	778	5.0%	21.6%	23.0%	50.4%
Census Tract 9502	3,468	81.7%	2,800	7.1%	29.0%	27.4%	36.5%
Census Tract 9503.07	280	66.4%	212	0.0%	14.2%	17.0%	68.9%
Census Tract 9504	1,901	85.1%	1,666	0.5%	27.8%	27.7%	44.0%
Census Tract 9505	1,175	64.1%	708	3.1%	8.9%	40.7%	47.3%

ACS 2009-2013, B23025, B23006, and RKG Associates.  
 Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

## WORKING ON NANTUCKET

The Executive Office of Labor and Workforce Development (EOLWD) reports that Nantucket has about 920 **employer establishments** with a combined total of 3,900 payroll jobs with an average weekly wage of \$963.<sup>18</sup> The employment base is quite small for a community with 4,400 year-round housing units. A sustainable local economy typically has about 1.5 jobs per housing unit: enough jobs to give residents meaningful opportunities to work locally. The **jobs-to-housing ratio** on Nantucket is only 0.89, so it is no surprise that Nantucket also has many “non-employer” establishments, too: people who work for themselves as sole proprietors, either full-time or as a part-time supplement to a payroll job. Evidence of reliance on self-employment income can be seen in census statistics for sources of household income. For

<sup>17</sup> Executive Office of Labor and Workforce Development (EOLWD), Labor Force and Unemployment Data (2010-2014).

<sup>18</sup> EOLWD, Employment and Wages Report, ES-202: Nantucket, 2009-2013.

example, 11 percent of the state's households derive some income from self-employment, but 27 percent of Nantucket's households have self-employment income and in some neighborhoods, it is as high as 33 percent.<sup>19</sup> Together, the number of self-employed people and the employers that provide jobs for others form the base of over 3,000 firms doing business on Nantucket.<sup>20</sup>

The size and composition of Nantucket's economy present some important challenges for a workforce housing strategy.

- **The employment base fluctuates seasonally.** The seasonal changes on Nantucket are substantial. At the peak season for visitors in August, local employers have 2.3 jobs on payroll for every one job that still remains in February, when employment reaches its lowest point in the year. These changes mirror fluctuations in the unemployment rate. Nantucket essentially achieves full employment in the summer, when the unemployment rate drops to well below 2 percent, but by February it has one of the highest unemployment rates in Massachusetts (about 13 percent).<sup>21</sup>
- **The employment base has a narrow range of strengths.** Arguably, the arts and recreation and accommodations and food service sectors perform well during the summer and into the shoulder season, but they generally provide low-wage jobs. Workers in these industries earn better pay on Nantucket than in other parts of the state – roughly 1.4 times the average weekly wage for similar jobs elsewhere – so many of them may be able to pay rents of \$900 to \$1,100 over the summer. Once the hospitality industry contracts after Columbus Day, this is no longer the case.

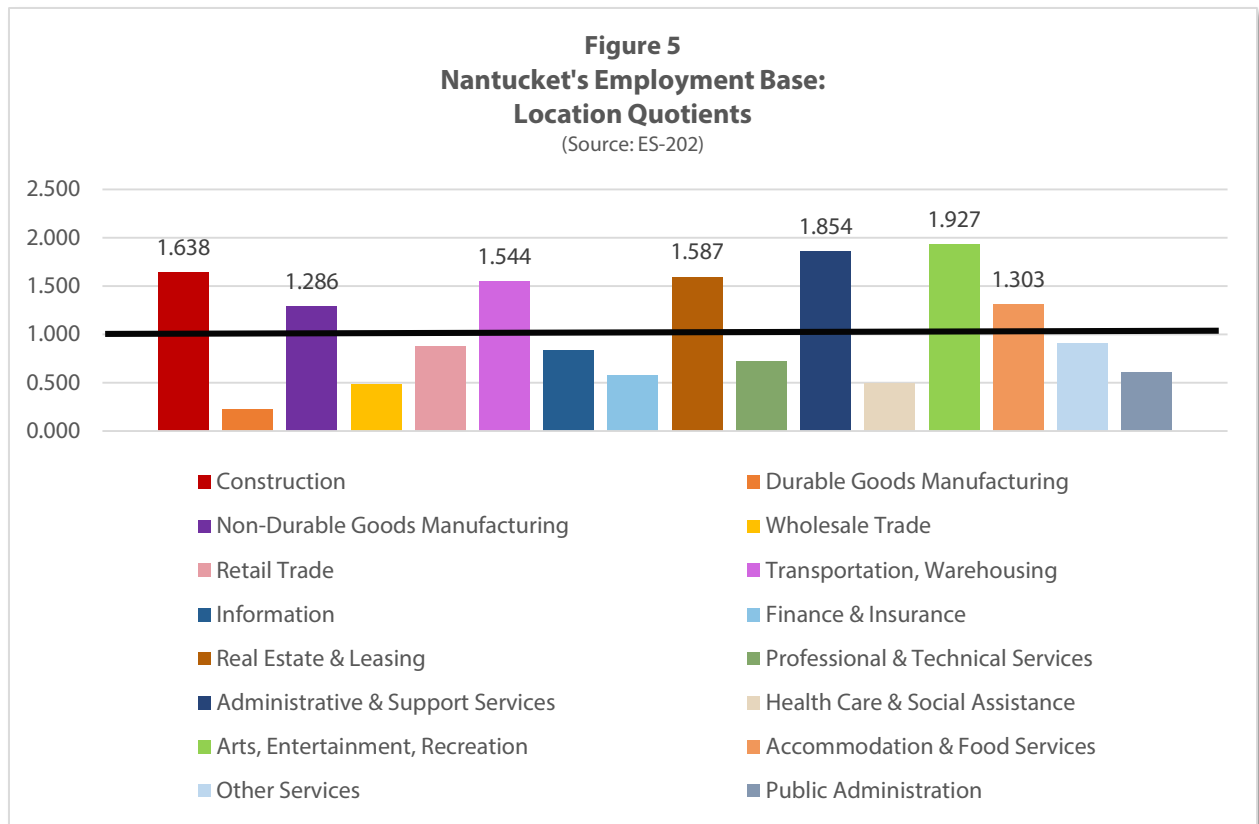
Year-round jobs such as health care and professional services pay decent wages, but Nantucket does not have a large base of professional employment. The Town of Nantucket, the public schools, and the Nantucket Cottage Hospital are relatively large employers with professional and semi-professional workers, and clearly there are small establishments with higher-paying jobs, too. In many cases, however, the industries with higher-wage employment on Nantucket have low **location quotients**.<sup>22</sup> Relative to the larger regional economy – Cape Cod and the Islands – health care and professional services make up a small share of Nantucket's employment base, as evidenced by location quotients substantially below 1.00 (Fig. 5). Measured by their share of local jobs, Nantucket's strongest industries are the construction trades, transportation services, real estate and leasing, support services (e.g., housecleaning, waste management, or security services), arts and recreation, and accommodations and food services (the hospitality industry). All of these industries are vulnerable to seasonal change, however. Most industries that offer high-wage employment, such as information, finance and insurance, real estate and leasing, professional services, health care, and public administration, do not provide many jobs on Nantucket.

<sup>19</sup> ACS 2009-2013 Five-Year Estimates, B19053.

<sup>20</sup> County Business Patterns, 2012.

<sup>21</sup> Executive Office of Labor and Workforce Development, Local Area Unemployment Statistics (2007-2014).

<sup>22</sup> A location quotient is the ratio of an industry's share of local employment to that industry's share of employment in a larger reference economy, in this case the Cape & Islands Workforce Investment Area. It is a fairly simple tool for identifying strengths and weaknesses in the local economy. A ratio > 1.10 generally signals an industry that is strong in the local market.



Despite Nantucket's generally favorable pay scales for municipal employees, the Town has lost at least four employees and at least three applicants turned down municipal job offers because they could not find affordably priced housing.<sup>23</sup>

## EARNINGS

Since the vast majority of Nantucket residents work on the island, either for themselves or as a wage or salary worker for some other establishment, reported income from employment sheds further light on wages paid by Nantucket businesses. For most industries, there is a wage differential that recognizes the higher cost to live and work on Nantucket, yet in relation to Nantucket's extraordinarily high housing costs, the wage difference does not seem that significant. For example, Table 5 shows that the median annual earnings of a year-round service worker in Massachusetts is \$33,365, but on Nantucket, it is \$41,981, for a local wage ratio of 1.26. The Nantucket service worker with income at the median wage can afford to spend \$1,050 per month for rent and basic utilities. However, Nantucket's median gross rent is \$1,443,<sup>24</sup> which represents a housing cost differential of 1.46. It is little wonder that Nantucket workers on the lower end of the wage spectrum often share housing units in an effort to make ends meet.

<sup>23</sup> Amanda Johnson, Town of Nantucket Human Resources Department, March 10, 2015.

<sup>24</sup> ACS 2009-2013 Five-Year Estimates, B25064.

**Table 5. Median Annual Earnings: Selected Occupations and Industries (Estimated; 2013)**

	Median Earnings	Occupations		Industries				
		Management	Service	Construction	Retail	Finance, Real Estate	Education	Hospitality
Massachusetts	54,594	73,085	33,365	43,916	24,064	56,907	40,967	16,663
Nantucket (Town)	51,869	73,339	41,981	50,323	38,281	56,023	41,605	25,023
Census Tract 9501	55,263	61,520	37,750	63,750	25,625	61,875	45,556	14,000
Census Tract 9502	51,110	66,848	43,750	45,865	44,632	33,203	28,750	25,510
Census Tract 9503.07	81,806	81,111	-	102,188	-	81,818	26,161	56,563
Census Tract 9504	45,962	85,625	41,596	46,250	43,542	42,993	61,750	38,472
Census Tract 9505	52,179	73,750	68,417	-	25,083	11,000	75,724	39,375

Source: ACS 2009-2013 B24021, B24031, and RKG Associates.

Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

## HOUSEHOLD TRENDS

**Households** – more than population per se – drive demand for housing, so a housing strategy for any community must account for market area household formation trends and household characteristics. The size and composition of a community's households, the age of its householders, and the resources they have to purchase or rent housing all have an indelible impact on demand. Nantucket's household trends are also affected by demand from the seasonal housing market. Over the past decade, Nantucket attracted considerable household growth. As of Census 2010, Nantucket had about 4,200 year-round households, representing a 14.3 percent increase between 2000 and 2010. However, the Census Bureau estimates that since 2010, Nantucket has lost about 160 households as it gained over 400 seasonal housing units, mainly due to conversions of year-round housing.<sup>25</sup>

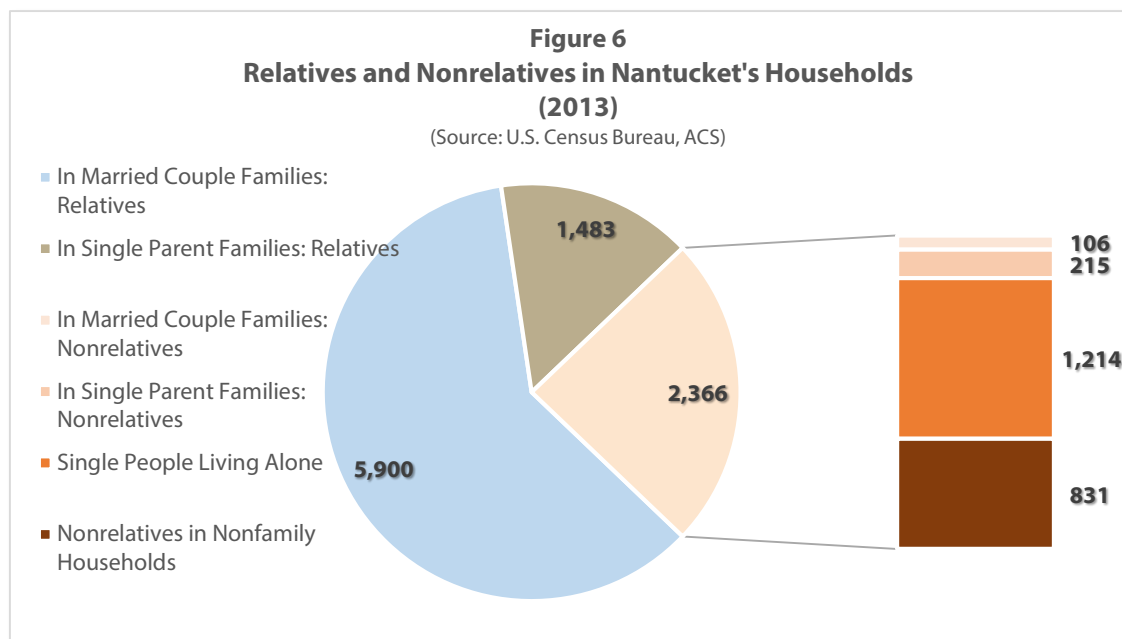
Nantucket's year-round homes are predominantly owner-occupied.<sup>26</sup> Its householders tend to be younger than their counterparts statewide, and unlike many towns on the Cape and around Boston, Nantucket has many young renters. In addition, while Nantucket is still a white, non-Hispanic town, it has many minority families. Most of Nantucket's African American and Hispanic households live in Mid-Island neighborhoods, which is also where most of the rental housing on Nantucket can be found.

Just about everyone living year-round on Nantucket is part of a household. (Some people lived in shared or **group quarters**, e.g., the seniors at Our Island Home.) Nantucket's households are primarily **families**, which can also be said for most communities, but Nantucket has a larger percentage of **non-family households** than the state as a whole. "Non-family" is a federal census term that includes single people living alone and households of two or more unrelated people. Most non-family households are one-person households, whether measured nationally, in Massachusetts, or on Nantucket. In Massachusetts, for example, single people living alone represent 80 percent of all non-family households. However, the percentage of one-person households is smaller on Nantucket: 75 percent, and it is much smaller in some

<sup>25</sup> Census 2000, 2010, H1, H5; ACS 2009-2013 Five-Year Estimates, B25003, B25004.

<sup>26</sup> Census 2010, H4.

neighborhoods where the percentage of one-person non-family households drops as low as 64 percent (Table 6). **In the Airport/Mid-Island/Surfside area, Nantucket has a relatively large number of households with unrelated people living together in the same house.** This matters for a housing study because a larger-than-average number of unrelated people in shared housing often signals the presence of housing problems: lack of affordability, lack of suitable housing for a community's household types, crowded housing units, code violations, off-street parking conflicts, and others.



**Table 6. Household Types (Estimated; 2013)**

Location	American Community Survey (ACS) Estimates				
	Total Households	Families (Related People)	Single Parent Families	Non-Family Households	Single People % Non-Families
Massachusetts	2,530,147	1,607,082	26.1%	923,065	79.5%
Nantucket (Town)	4,069	2,462	21.5%	1,607	75.5%
Census Tract 9501	690	356	29.8%	334	89.8%
Census Tract 9502	1,657	1,093	26.7%	564	75.0%
Census Tract 9503.07	156	100	0.0%	56	78.6%
Census Tract 9504	951	500	9.4%	451	64.3%
Census Tract 9505	615	413	20.3%	202	77.7%

Source: ACS 2009-2013 B1101, and RKG Associates.

Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

Not surprisingly, the presence of households with both related and unrelated people has an impact on household sizes and the types of housing a community may need. While Nantucket's homeowner households are somewhat smaller than their counterparts statewide, the opposite is true for renters. On Nantucket, the average-size household for renter-occupied housing ranges from 2.35 to 2.60, compared with 2.18 people per household for the state as a whole.<sup>27</sup>

*Fourteen percent of Nantucket's year-round population has incomes below poverty, but the corresponding statistics for African American residents is almost 20 percent, and for Hispanic or Latino residents, 30 percent. Hispanic or Latino households in the Mid-Island area have the lowest median income of any group on Nantucket: \$26,939.*

## INCOMES

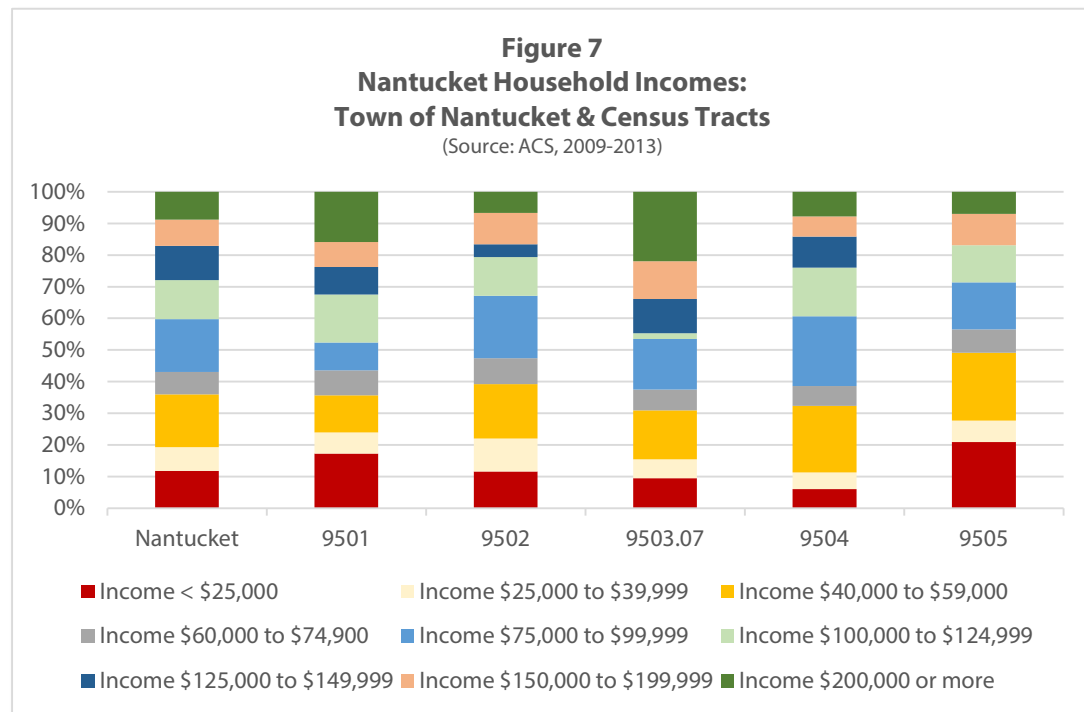
Massachusetts ranks fifth in the nation for median household income, which means that overall, its resident households enjoy a comparatively high standard of living. Nantucket is one of the wealthiest communities in the state, so its households tend to be fairly well-off. For example, households with incomes below \$25,000 comprise 12 percent of all year-round households on Nantucket, but 20 percent throughout the Commonwealth. Approximately 27 percent of Nantucket households and 22 percent of the state's households have incomes over \$125,000. Still, Nantucket's household wealth is not evenly distributed throughout the island. As shown in Figure 7, the percentage of upper-income households on the west side of the island is larger than any other area. By contrast, moderate-income households tend to be most prevalent in Mid-Island neighborhoods and along the south side of Nantucket.

Household wealth on Nantucket is unevenly distributed by race and ethnicity, too, but the differences are more difficult to quantify. First, when the number of people in a population sample is very small, the Census Bureau does not publish income statistics. As a result, there are no race and income estimates for some parts of Nantucket. Second, the Census Bureau reports household income as the sum of income of all people 18 and over in the household, regardless of familial status. Accordingly, household income for a group of unrelated people occupying a single housing unit is the sum of their individual incomes. Poverty indicators shed more light on income differences on Nantucket because poverty is reported for households, families, and individuals. For example, 14 percent of Nantucket's year-round population has incomes below poverty, but the corresponding statistics for African American residents is almost 20 percent, and for Hispanic or Latino residents, 30 percent.<sup>28</sup> Hispanic or Latino households in the Mid-Island area have the lowest median income of any group on Nantucket: \$26,939.<sup>29</sup>

<sup>27</sup> Census 2010, H12.

<sup>28</sup> ACS 2009-2013 Five-Year Estimates, B06012, B170011.

<sup>29</sup> ACS 2009-2013 Five-Year Estimates, B190311.



As in most communities, the economic position of families in Nantucket is generally better than that of all households (including families and nonfamilies). This is true for a few reasons: first, family households tend to be younger, so they are more likely to be in the labor force, and second, married-couple families in particular (which still make up the majority of families with children) often have more than one wage earner. The situation for single-parent families is quite different. Among the working-age population, single-parent families and one-person households have fairly low incomes – low relative to the cost of Nantucket’s market-rate housing and even relative to price-controlled housing such as units available through the Housing Needs Covenant Program.

**Table 7. Median Income: Families with Children by Family Type and Working-Age One-Person Households**

	Median Family Income	Families with Dependent Children		Ages 15-64	
		Married Couples	Single Parents	Men Living Alone	Women Living Alone
Massachusetts	\$84,900	\$113,187	\$28,116	\$43,901	\$40,542
Nantucket (Town)	\$92,500	\$106,667	\$53,505	\$51,280	\$46,947
Census Tract 9501	\$101,042	\$106,591	\$60,784	\$76,953	\$53,500
Census Tract 9502	\$86,769	\$95,917	\$44,022	\$37,869	\$46,108
Census Tract 9503.07	\$122,500	\$61,875	-	-	-
Census Tract 9504	\$110,288	\$114,750	\$55,000	\$55,096	\$51,583
Census Tract 9505	\$81,989	\$88,641	\$21,406	-	\$48,906

Source: ACS 2009-2013, B19215, B19216, and RKG Associates, Inc.

Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

## HOUSING CHARACTERISTICS

It is harder to confirm the number of housing units in a community than many people realize. To the general public, a housing unit is a single-family home or two-family home, an accessory apartment, an apartment in a multi-family building or a townhouse condominium: “A room or enclosed floor space used, or to be used, as a habitable unit for one family or household, with facilities for sleeping, cooking and sanitation” - that is, a dwelling unit as defined in Nantucket’s zoning bylaw. However, the official housing count reported by the Census Bureau every ten years is a little different. Under the Census Bureau’s broad definitions of “housing,” rooms in boarding houses and retirement homes can qualify as housing units. The federal definition also includes structures or portions thereof that are not classified (or regulated) as housing under the State Building Code, e.g., mobile homes, recreational vehicles, and boats, and rooms or groups of rooms without separate cooking or sanitation facilities. For purposes of this study, “housing unit” means what most people generally think of as housing, i.e., it does not include recreational vehicles. It could include some types of shared quarters, such as single-room occupancy (SRO) units, but not employer-owned dormitory housing such as the units owned by Nantucket Island Resorts for its summer workers.

Nantucket has absorbed a higher rate of housing growth than most parts of the state. Between 2000 and 2010, Nantucket’s housing inventory increased by 2,408 units, or 26.1 percent. However, seasonal housing increased 30 percent, from 5,170 units in 2000 to 6,722 units in 2010, outpacing total housing growth – that is, demand for seasonal housing on Nantucket appeared to be reducing the supply of year-round housing. More recent estimates from the American Community Survey place seasonal housing on Nantucket at 7,137 units, i.e., an increase of about 400 units since 2010. Moreover, the ACS estimates that the total number of year-round occupied units has fallen to 4,069 (from 4,229 in 2010) while the number of year-round owner-occupied units has increased to 2,667 units (from 2,475 in 2010).<sup>30</sup> Most of the drop in year-round units has occurred among rental units. Together, these trends seem to provide some support for the perceptions of Nantucket residents who say that year-round rental options have decreased significantly. They say that today, rental vacancies are often filled by word-of-mouth and other informal means because anyone advertising an apartment for rent will likely receive hundreds of requests.

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## EXISTING INVENTORY

One of Nantucket’s greatest housing challenges involves its limited range of housing choices and price points, which in turn reflect the town’s land use regulations and infrastructure (notably a limited sewer service area), and market expectations. The overwhelming majority of housing units on Nantucket are detached single-family homes. This makes sense given the town’s historic development patterns, but it is not a very efficient use of land or an economical way to create affordably priced units. Mixed residential uses exist in the more densely settled areas of Nantucket, notably downtown and the Mid-Island neighborhoods. These settings include two-family homes or row houses, some multifamily dwellings, and sometimes apartments above commercial space as well, and it is in the Mid-Island neighborhoods that over

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<sup>30</sup> Census 2010, Census 2000, H1, H3, H4; and ACS 2009-2013 Five-Year Estimates, B25003.

80 percent of Nantucket's year-round renters live.<sup>31</sup> In many parts of Nantucket there are privately owned residential lots with two detached single-family homes, i.e., a principal dwelling and a cottage, with both units under common ownership unless one is conveyed subject to an affordable housing restriction (Nantucket Housing Needs Covenant). Table 8 summarizes Nantucket's housing inventory by unit types.

<b>Table 8. Housing Types (Estimated; 2013)</b>							
Location	Total Housing Units	1-Family Detached	Townhouse	Duplex	Multi-Family 3-9 Units	Multi-Family 10+ Units	RV, Boats
Massachusetts	2,808,549	52.3%	5.1%	10.3%	17.0%	14.5%	0.9%
Nantucket (Town)	11,650	85.0%	3.4%	6.3%	3.6%	0.6%	1.2%
Census Tract 9501	2,989	89.7%	0.7%	5.6%	2.4%	0.5%	1.2%
Census Tract 9502	3,114	73.9%	7.4%	10.7%	5.7%	0.4%	1.9%
Census Tract 9503.07	1,191	89.8%	4.1%	1.1%	1.8%	0.0%	3.3%
Census Tract 9504	1,640	78.7%	3.5%	11.2%	6.5%	0.0%	0.0%
Census Tract 9505	2,716	94.3%	1.3%	1.3%	1.3%	1.5%	0.4%

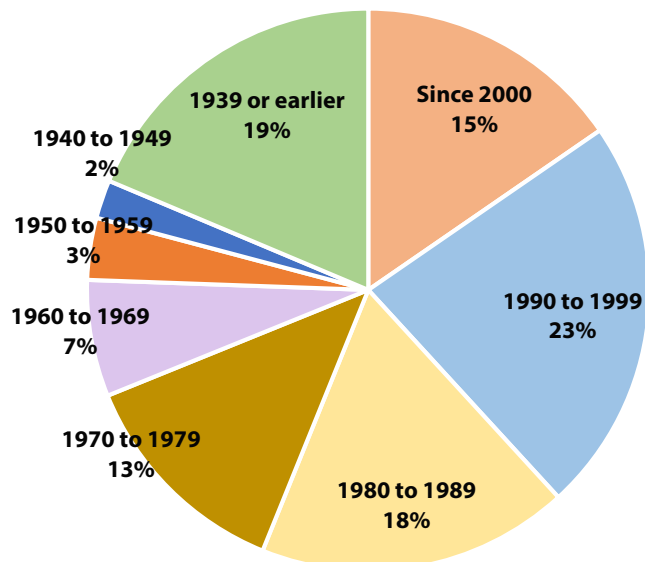
Source: ACS Five-Year Estimates 2009-2013, B25024.  
 Note: Census 2010 reported Nantucket's actual housing count as 11,618 units.  
 Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

## HOUSING AGE AND SIZE

Compared with the state as a whole, Nantucket has fairly new housing units. This may come as a surprise to some Nantucket residents or visitors, especially since Nantucket's iconic downtown has such an enviable collection of well-preserved historic residences. However, Nantucket has grown so much since the 1970s (Figure 8) that all of its late-twentieth century homes have a dramatic impact on the island's housing age profile. Today, the median year built for all housing on Nantucket (year-round and seasonal) is 1983, compared with 1958 for the state.<sup>32</sup>

Nantucket's owner-occupied housing is similar in size and basic amenities to owner-occupied units throughout Massachusetts.

**Figure 8**  
**Age of Nantucket's Housing:**  
**Inventory by Year Built**  
 (Source: ACS 2009-2013)



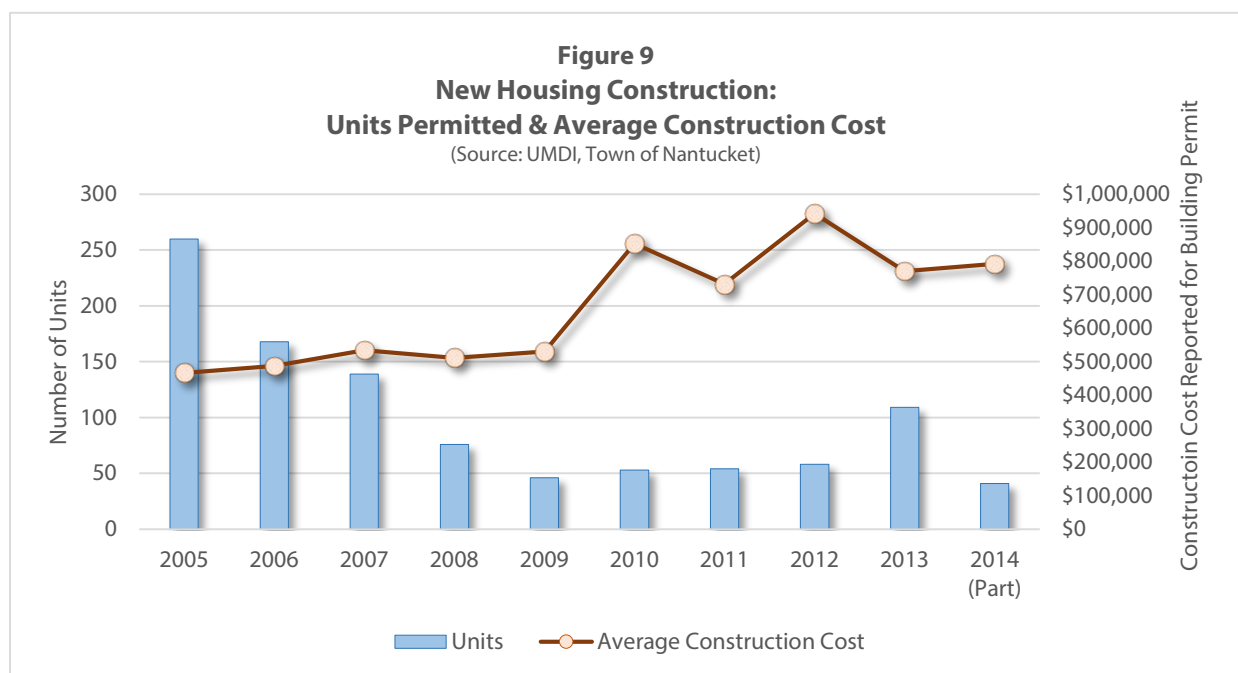
<sup>31</sup> ACS 2009-2013 Five-Year Estimates, B25032.

<sup>32</sup> ACS 2009-2013 Five-Year Estimates, B25035.

The most significant differences can be found in and around the downtown area, where there are many large historic houses that tend to dominate the housing inventory. Overall, however, the majority of owner-occupied homes in Massachusetts and Nantucket are three- or four-bedroom dwellings with cooking and plumbing facilities, basic utilities, and reasonable space for vehicle parking. While renter-occupied units elsewhere in the state are comprised primarily of one- or two-bedroom apartments, Nantucket's rental units tend to be a little larger, and this is due to the composition of Nantucket's rental stock: many single-family and two-family homes as opposed to multi-family apartment developments.

## RESIDENTIAL CONSTRUCTION

Data from the UMass Donohue Institute (UMDI) indicate that between 2005 and 2013, Nantucket issued building permits for 975 new homes, nearly all detached single-family dwellings. It is little wonder that Nantucket housing sale prices are so high. In 2013, the most recent year for which annual data have been released, the average construction cost reported for new units, excluding the land cost, was \$770,225.<sup>33</sup> Though less than the average reported in 2012, an average reported construction cost of over \$770,225 is very high – higher than the average reported in Boston's affluent west suburbs. Figure 9 shows that the average construction cost per unit increased sharply in 2010, and while it has fluctuated since then, there appears to be an emerging pattern of rising costs per unit. For the portion of 2014 that is available from the Town, the average cost is up slightly: \$782,000.<sup>34</sup>



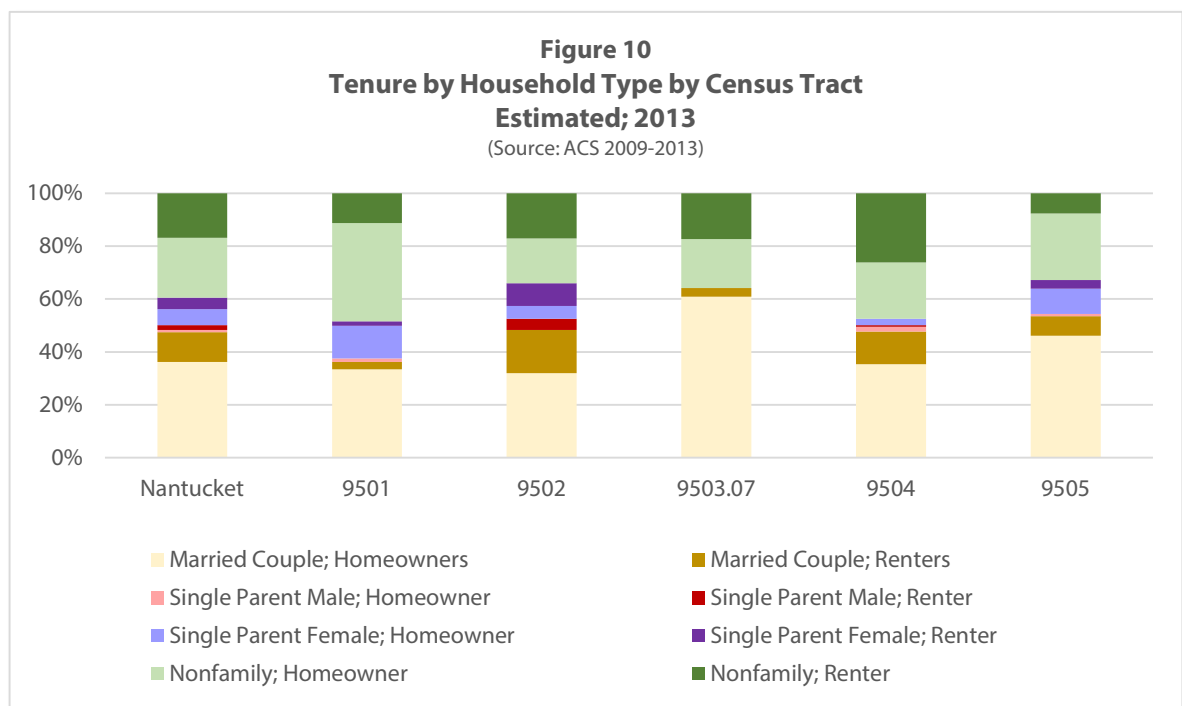
<sup>33</sup> N.B. Local governments (including Nantucket) report new residential permits and average construction cost per unit on a monthly basis to the federal government. UMDI simply summarizes the locally generated data. In RKG's experience the federal numbers are largely accurate for new single-family homes, but new multifamily units tend to be under-reported.

<sup>34</sup> Town of Nantucket, Building Department, April 2015.

In addition to new home construction permits, Nantucket issues almost twice the number of permits for renovation and alteration projects that increase the value of local homes. Some of the new single-family units are actually replacements for demolished older residences, too. In the first four months of 2014, for example, Nantucket issued eleven residential demolition permits (excluding sheds).<sup>35</sup>

## OCCUPANCY, TENURE, AND HOUSEHOLD SIZE

Most year-round residents of Nantucket and the state as a whole own the house they live in, yet in many ways Nantucket's housing tenure statistics differ from those of the Commonwealth. Unlike Massachusetts as a whole, where the homeownership rate has incrementally increased over time,<sup>36</sup> Nantucket has experienced fluctuating owner-occupancy conditions, from 63 percent in 2000 to 58 percent in 2010 and most recently, an estimated 66 percent in 2013. Overall, Nantucket has more owner-occupant newcomers on one hand and more long-term renters on the other hand, but these differences do not apply town-wide. The neighborhoods with the largest shares of long-time homeowners lie along the island's north side, and long-time renters, in the downtown area.<sup>37</sup> Also, non-family households and single-parent families headed by women are primarily homeowners in Nantucket, but statewide they are primarily renters. Similarly, single-parent families headed by men are primarily renters on Nantucket but homeowners elsewhere in Massachusetts.<sup>38</sup> Figure 10 reports tenure by household type for the town and its five census tracts.



<sup>35</sup> Ibid.

<sup>36</sup> U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (CPS/HVS), Housing Vacancies and Homeownership, Annual 2014 and Historical Tables.

<sup>37</sup> ACS 2009-2013 Five-Year Estimates, B25039.

<sup>38</sup> ACS 2009-2013 Five-Year Estimates, B11012.

Comparing ACS estimates with decennial census data can produce some distortions because the former is based on a comprehensive, monthly population survey and the latter, a point-in-time actual count. Nevertheless, trends that corroborate informal accounts from Nantucket residents can be gleaned from these sources. Since 2010, for example, the average renter household size has gradually increased, and the shift in the average statistic stems primarily from growth among large renter households, i.e., households with more than four people. Seventy percent of the island's large renter households live in Mid-Island neighborhoods near the airport, where a majority of Nantucket's African American, Hispanic or Latino, and lower-income households reside.<sup>39</sup>

## INCOME, TENURE, AND HOUSING COSTS

Under a long-standing federal guideline, housing costs are considered affordable when they do not exceed 30 percent of a household's monthly gross income.<sup>40</sup> Nantucket's local housing programs adopt the same definition of housing affordability to determine how much a household can afford to spend per month on housing. These amounts are shown in Table 9, along with area median income estimates by household size, along with the HUD Fair Market Rent (the maximum monthly rent for housing occupied by tenants with federal rental assistance).

Table 9. Estimated Maximum Affordable Housing Cost by Household Type and Income (2015)						
Household Size	2015 AMI	Unit Type	Maximum Affordable Housing Cost			HUD
			60% AMI	100% AMI	150% AMI	Fair Mkt. Rent
Single Person	\$69,813	studio or 1 BR	\$1,047	\$1,745	\$2,618	\$935
Two Person	\$79,750	1 or 2 BR	\$1,196	\$1,994	\$2,991	\$1,161
Three Person	\$89,750	2 or 3 BR	\$1,346	\$2,244	\$3,366	\$1,571
Four Person	\$99,688	2, 3, or 4 BR	\$1,495	\$2,492	\$3,738	\$2,205
Five Person	\$107,688	3 or 4 BR	\$1,615	\$2,692	\$4,038	\$2,213

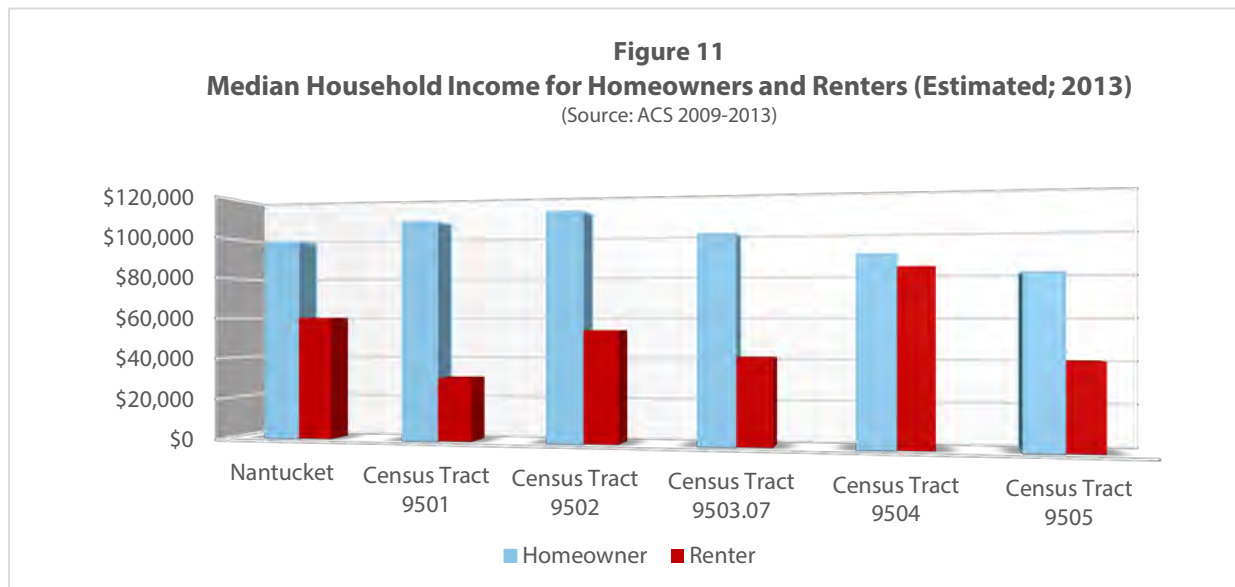
Source: Housing Nantucket, 2015; HUD, Schedule B, Final 2015 FMRs for Existing Housing, Eff. 10/1/2014.  
 Note: (1) Housing Nantucket's 60% income limits are close to those established by the federal government for the Low-Income Housing Tax Credits (LIHTC) Program.  
 (2) HUD Fair Market Rent is a payment standard for housing authorities that administer Section 8 assistance; it is not an affordable rent per se. HUD's goal for the FMR is that it should be "high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible."  
 (3) HUD Fair Market Rents do not precisely correspond with household size. For example, the FMR for a three-bedroom unit is \$2,205 regardless of whether the household includes three, four, or five people.

<sup>39</sup> Census 2010, H16 and HCT1; ACS Five-Year Estimates 2009-2013, B25009, DP03; HUD, Low- or Moderate-Income (LMI) Areas by Census Block Group, ACS 2007-2011.

<sup>40</sup> M. Schwartz and E. Wilson, "Who Can Afford to Live in a Home? A Look at Data from the 2006 American Community Survey" Working Paper, U.S. Census Bureau. The conventional public policy indicator of housing affordability in the United States is the percent of income spent on housing. Housing expenditures that exceed 30 percent of household income have historically been viewed as an indicator of a housing affordability problem. The conventional 30 percent of household income that a household can devote to housing costs before the household is said to be burdened evolves from the United States National Housing Act of 1937, although the original standard was not 30 percent. In 1940, it was 20 percent and in 1969, Congress increased it to 25 percent. The 30 percent standard that applies today was established in 1981. See also, "Housing Affordability: Myth or Reality?," Wharton Real Estate Center Working Paper, Wharton Real Estate Center, University of Pennsylvania, 1992.

## OWNER-OCCUPIED HOUSING

For many Nantucket homeowners, the cost of housing consumes a large share of their household income. Their income may be much higher than that of renters, but the purchase price of for-sale housing is also very high. In 2014, for example, Nantucket's median single-family sale price was \$1,225,000 – up almost 20 percent over 2013.<sup>41</sup>



As indicated in Figure 11, Nantucket's median homeowner household income is \$97,985, with a census tract-level range from a low of \$80,417 to a high of \$110,804.<sup>42</sup> The median monthly housing cost for owner-occupied housing with a mortgage payment in Nantucket is \$3,026,<sup>43</sup> a figure technically affordable to a household with income of \$121,040, or about 35 percent of Nantucket's existing homeowners. In Massachusetts

overall, approximately 34 percent of all homeowners spend more than 30 percent of their monthly income on a mortgage payment, taxes, and insurance – the basic components of homeowner housing costs. As such, these homeowners fit the federal definition of **housing cost burden**.<sup>44</sup> Significantly, Table 10 reports that over half of Nantucket's year-round homeowners are housing cost burdened and nearly 30 percent are

*According to a special tabulation of census data published by HUD, housing cost burden affects 78 percent of Nantucket homeowners with incomes between 50 and 80 percent AMI, and 68 percent of homeowners with incomes between 80 and 100 percent AMI.*

<sup>41</sup> The Warren Group, Town Stats Database.

<sup>42</sup> ACS 2009-2013 Five-Year Estimates, B25119.

<sup>43</sup> ACS 2009-2013 Five-Year Estimates, B25008.

<sup>44</sup> N.B. California has the highest percent of mortgaged homeowners with housing burden of any state in the U.S, followed by Hawaii, Nevada, Florida, New Jersey, Rhode Island, and Massachusetts, although burden for all of these states is similar to California.

**severely cost burdened**, which means their housing costs exceed 50 percent of their monthly gross income.<sup>45</sup>

**Table 10. Comparison Homeowner Housing Values and Monthly Housing Cost Estimates\***

Location	Median Housing Cost	Lower Value Home	Median Value Home	Upper Value Home	Housing Cost Burden	Severe Cost Burden
Massachusetts	\$1,705	\$230,500	\$330,100	\$464,900	34.4%	13.6%
Nantucket	\$2,365	\$651,800	\$929,700	1,000,000+	53.0%	29.9%
Census Tract 9501	\$1,851	\$786,900	\$1,000,000+	1,000,000+	42.0%	23.5%
Census Tract 9502	\$2,739	\$581,100	\$832,000	1,000,000+	54.5%	28.6%
Census Tract 9503.07	\$1,583	\$475,000	\$890,600	1,000,000+	35.5%	28.0%
Census Tract 9504	\$2,771	\$632,000	\$891,300	1,000,000+	63.9%	37.4%
Census Tract 9505	\$1,948	\$777,100	\$1,000,000+	1,000,000+	53.3%	31.1%

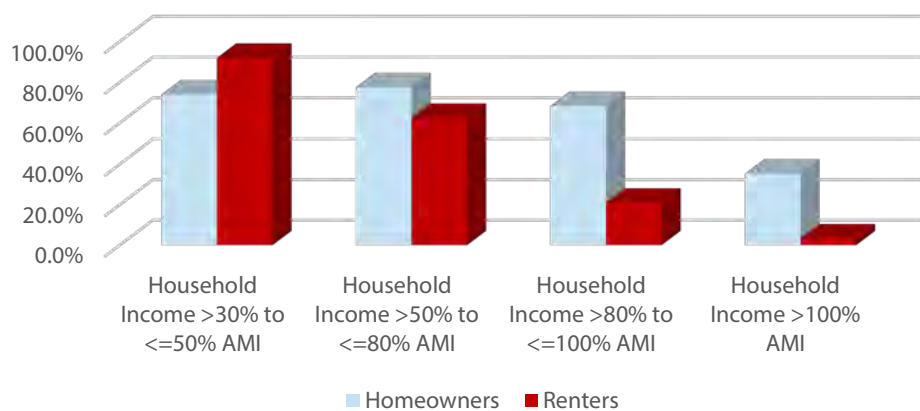
Source: ACS 2009-2013 Five-Year Estimates, and RKG Associates.

Notes: (1) The Census Bureau does not report specific housing values over \$1 million; (2) Homeowner housing cost burden includes homeowners both with and without a mortgage.

Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

It is possible that some of Nantucket's housing cost burdened homeowners have chosen to "buy up" to larger, amenity-laden homes instead of purchasing a more modest and affordable unit. However, available data indicate that this is not really the case. HUD's Comprehensive Housing Affordability Strategy (CHAS) Data show that most technically affordable units are occupied by higher-income households and that at any given time, there is only a handful of vacant, modestly priced homes on the market.<sup>46</sup> The high cost of housing for Nantucket homeowners is particularly challenging for lower-income residents. According to a special tabulation of census data published by HUD, housing cost burden affects 78 percent of Nantucket

**Figure 13**  
**Households with High Housing Costs by Income Range**  
(Source: HUD, CHAS Data)



<sup>45</sup> ACS 2009-2013 Five-Year Estimates, B25092.

<sup>46</sup> CHAS Data, Tables 15A, 17A.

homeowners with incomes between 50 and 80 percent AMI and 68 percent of homeowners with incomes between 80 and 100 percent AMI. **Nantucket's homeownership affordability problems have little to do with ambitious homebuyers and everything to do with a severe shortage of appropriately priced supply.**

## RENTER-OCCUPIED HOUSING

Nantucket's median renter household income is \$60,104, but the census tract median ranges widely from a low of \$30,625 to a high of \$83,512 (Figure 11).<sup>47</sup> The higher-end income is deceptive because it includes income from all sources for everyone in the household over 15 years, including relatives and nonrelatives.<sup>48</sup> This is significant for a census tract like 9504 (Airport/Mid-Island/Surfside), where many households include non-relatives who share housing costs in order to make ends meet.

Rents on Nantucket are much higher than throughout Massachusetts and in some cases, higher than market rents in the Greater Boston area. Town-wide, an estimated 41 percent of all renters are housing cost burdened, paying more than 30 percent of their monthly gross income for rent and basic utilities. Nantucket's unaffordably housed renters are concentrated in the Town area and the island's west end, where the percentages of rental housing cost burden exceed the state average (50 percent). Local sources say these statistics are skewed due to the very small number of rental units in Nantucket's Town neighborhoods. This may be true, but since Nantucket's supply of year-round rental units is so deficient, it would be a mistake to think that housing cost burdened renters simply choose to live in an expensive area.

**Table 11. Comparison Rent Estimates**

	Median Gross Rent	Lower Contract Rent	Median Contract Rent	Upper Contract Rent	Housing Cost Burden	Severe Cost Burden
Massachusetts	\$1,069	\$614	\$936	\$1,320	50.3%	25.8%
Nantucket (Town)	\$1,564	\$900	\$1,443	\$1,858	40.8%	17.4%
Census Tract 9501	\$1,320	\$1,080	\$1,228	\$1,418	68.5%	33.3%
Census Tract 9502	\$1,700	\$821	\$1,543	\$2,000+	46.7%	17.9%
Census Tract 9503.07	-	-	-	-	66.7%	0.0%
Census Tract 9504	\$1,581	\$1,086	\$1,420	\$1,733	24.3%	16.4%
Census Tract 9505	\$1,200	\$388	\$1,200	\$1,750	42.7%	9.8%

Source: ACS 2009-2013 Five-Year Estimates.

Notes: The Census Bureau does not report gross and contract rent estimates for Tract 9503.07 because the number of rental units is so small.

Census Tract Legend: 9501: Town; 9502: Miacomet/Mid-Island/Cisco; 9503.07: Madaket/Dionis/Clif; 9504: Airport/Mid-Island/Surfside; 9505: Polpis/Sconset/Tom Nevers

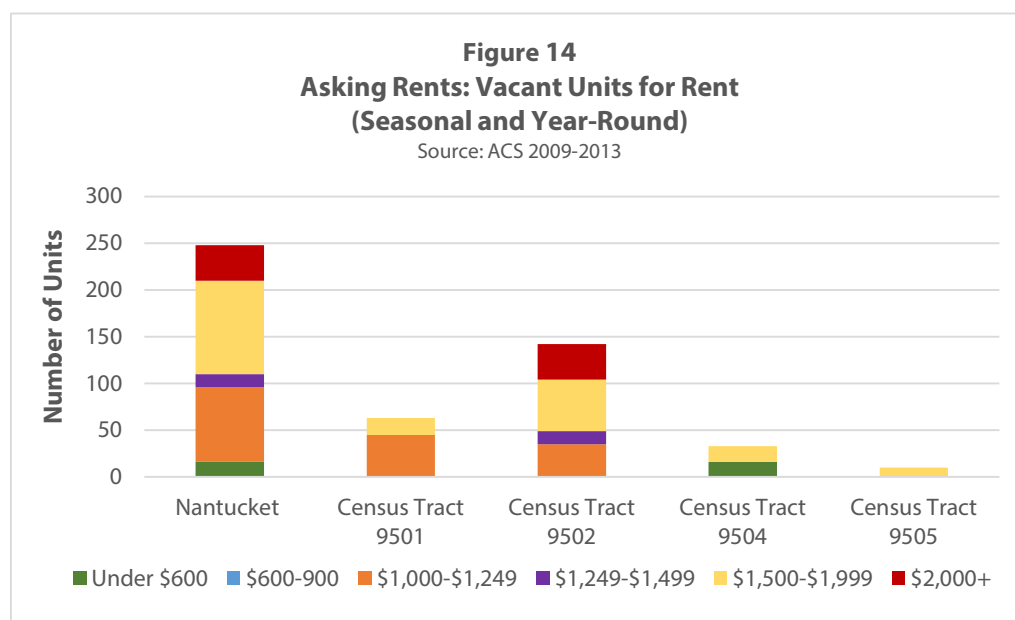
Unlike conditions statewide, most of Nantucket's housing cost burdened renters are working-age people – especially young people under 34 years – not senior citizens. The author estimates that the percentage of renters with housing cost burdens is considerably higher than the Census Bureau's data suggest, based on informal interviews and anecdotal information obtained during site visits in January and February 2015.

<sup>47</sup> ACS 2009-2013 Five-Year Estimates, B25119.

<sup>48</sup> U.S. Census Bureau, *American Community Survey and Puerto Rico Community Survey 2013 Subject Definitions*, 82.

Furthermore, what the Census Bureau reports as affordably housed renters masks an underlying problem for many of Nantucket's lower-income wage earners: housing units over-occupied by unrelated people who pool their resources in order to find housing they can afford.

**Asking Rents.** In the past few years, over half of all vacant rental units on Nantucket came with asking rents of \$1,500 or more, and less than 7 percent with asking rents below \$1,000.<sup>49</sup> The ACS reports an average of 248 units offered for rent at any given time, including both year-round and seasonal units and private and public housing. These are **contract rents** (what the landlord will charge), not **gross rents** (contract rent plus basic utilities), though some rental units include utilities that tenants do not have to pay out of pocket. Figure 14 displays the distribution of asking rents for the island as a whole and the five census tracts based on monthly surveys conducted by the Census Bureau between 2009 and 2013.



Renters informally interviewed for this study say the Census Bureau's data underestimate actual market conditions on Nantucket and stop short of capturing the more compelling problems: **lack of supply on one hand, and an existing supply that includes many units with code violations on the other hand.** The perceptions of local renters are largely borne out through social media, where people looking for apartments often go, hoping for a more efficient source of information than word-of-mouth referrals.

<sup>49</sup> ACS 2009-2013 Five-Year Estimates, B25061. Recent issues of *The Inquirer and Mirror* have included ads for some summer and winter rentals, but the only year-round rentals have been furnished rooms in a private residence, a partially furnished one-bedroom apartment in Madaket for \$2,000/month, and a four-bedroom home without a published asking rent.

## LOW- OR MODERATE-INCOME RESIDENTS

According to the HUD, about 38 percent of Nantucket's year-round households have low or moderate incomes as that term is used in most housing programs (Map 2).<sup>50</sup> Some people may find this surprising because Nantucket also has year-round household wealth and a seasonal population that is extraordinarily wealthy, but it is not uncommon for resort communities to have more low- or moderate-income residents than is readily apparent. HUD estimates that 30 percent of Nantucket's homeowners and 49 percent of its renters have incomes below 80 percent AMI. HUD's estimates shed even more light on the households most affected by Nantucket's very high housing costs, however. As illustrated in Figure 13, the highest incidence of housing cost burden occurs among the island's lowest wage earners: working-age people with incomes at or below 50 percent AMI. Housing cost burden affects anywhere from 74 to 86 percent of the residents in this lower-income group. In current dollars, this means a household of four with income under \$49,890 – or more accurately, a household of two with income under \$39,900.<sup>51</sup> For the single people and very small families that make up most of the households with incomes below 50 percent AMI, the maximum affordable rent, including utilities, is \$998 (and usually much less). **Nantucket does not have an adequate supply of affordably priced rentals for its working poor: people whose incomes are at or below the 60 percent AMI threshold for “workforce housing” under Nantucket's local housing assistance programs.**

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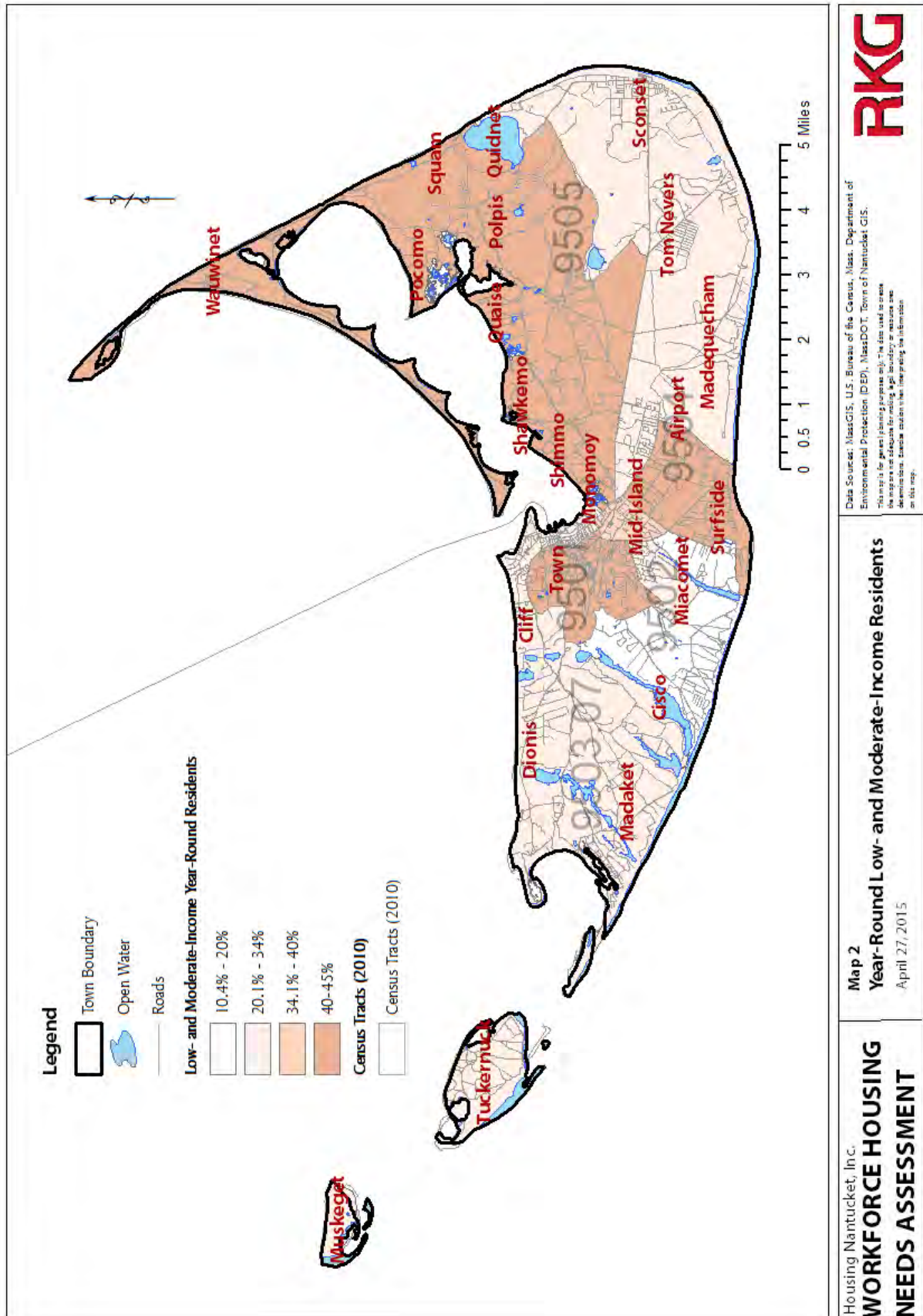
## PRICE-RESTRICTED HOUSING

Most communities have some modestly priced housing: small, older single-family homes that are less valuable than new homes, multi-family condominiums, or apartments that can be leased for relatively low monthly rents. This type of affordable housing often stays affordable as long as the market will allow. As Nantucket is well aware, market demand for luxury vacation homes can place tremendous pressure on these units, resulting in major renovations or demolition/reconstruction that effectively reduces the community's supply of affordable housing. Under a Massachusetts law that went into effect in 1969, however, all communities are supposed to have housing that is affordable to low-income households and remains affordable to them even when home values appreciate under robust market conditions. These units remain affordable because their resale prices and rents are governed by a deed restriction that lasts for many years, if not in perpetuity. Both types of affordable housing meet a variety of housing needs and both are important. The crucial difference is that the market determines the price of unrestricted affordable units while a recorded legal instrument determines the price of deed restricted units. There are other differences, too. For example, any household - regardless of income - may purchase or rent an unrestricted affordable unit, but only a low- or moderate-income household is eligible to purchase or rent a deed restricted unit.

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<sup>50</sup> HUD, Comprehensive Housing Affordability Strategy (CHAS) Data, retrieved from HUD/PDR.

<sup>51</sup> HUD, 2015 Income Limits, release date March 9, 2015.



## CHAPTER 40B

When less than 10 percent of a community's housing consists of deed restricted affordable units, M.G.L. c. 40B, Sections 20-23 ("Chapter 40B") authorizes the Zoning Board of Appeals to grant a comprehensive permit to qualified affordable housing developers. The 10 percent minimum is based on the total number of **year-round housing units** reported in the most recent decennial census; for Nantucket, this currently means that 490 units out of 4,896 must be affordable (Census 2010). A comprehensive permit is a type of unified permit: a single permit that replaces the approvals otherwise required from separate city or town permitting authorities. Sachem's Path is an example of a Chapter 40B comprehensive permit development. Chapter 40B supersedes zoning and other local regulations that make it too expensive to build low- and moderate-income housing. By consolidating the approval powers of multiple town boards, the state legislature hoped to provide more low-income housing options in suburbs and small towns. Under Chapter 40B, the Zoning Board of Appeals may approve, conditionally approve, or deny a comprehensive permit, but in communities that do not meet the 10 percent minimum, developers may appeal to the state Housing Appeals Committee (HAC). Although comprehensive permits may still be granted after a town achieves the 10 percent minimum, the HAC no longer has authority to overturn a local board's decision.

**Table 12. Nantucket's Chapter 40B Inventory (2015)**

Development	Location	Housing Type	SHI Units	Restriction Expires	Subsidizing Agency
Miacomet Village I	3 Manta Drive	Rental	10	Perpetual	DHCD
Miacomet Village I	3 Manta Drive	Rental	12	Perpetual	DHCD
Miacomet Village II	Norquarta Drive	Rental	19	5/1/2047	FHLBB, RHS
Housing Authority	Benjamin Drive	Rental	5	Perpetual	HUD
Academy Hill School	Westminster St.	Rental	27	12/1/2016	MassHousing, HUD
Landmark House	144 Orange St.	Rental	18	2015*	HUD 202, RHS
Landmark House II	Orange St.	Rental	8	2041	FHLBB, HUD
DMH Group Homes	Confidential	Rental	5	N/A	DMH
Norquarta Drive	Norquarta Drive	Rental	2	Perpetual	DHCD
Dartmouth Street	Dartmouth Street	Rental	2	Perpetual	Town of Nantucket
Norwood Street	Norwood Street	Rental	1	Perpetual	Town of Nantucket
Irving Street	Irving Street	Rental	1	Perpetual	Town of Nantucket
Clarendon Street	Clarendon Street	Rental	1	Perpetual	Town of Nantucket
Abrem Query	2-4-6-8 Folger Ave	Own	7	Perpetual	FHLBB
Beach Plum Village	15-19 Rugged Rd; 6-8 Scotts Way	Own	3	Perpetual	MassHousing

Sources: DHCD, Housing Nantucket

The Massachusetts Department of Housing and Community Development (DHCD) maintains a list of the deed restricted affordable units in each city and town. Known as the Chapter 40B Subsidized Housing Inventory (SHI), the list determines whether a community meets the 10 percent minimum. It also is used to track expiring use restrictions, i.e., when non-perpetual affordable housing deed restrictions will lapse. As shown in Table 12, Nantucket's SHI currently includes 121 affordable units, or 2.5 percent of the island's year-round housing units. The 121-unit affordable housing inventory represents a 21-unit gain between

2000 and 2010: a fraction of the island's total housing growth of 2,400 units in the same period. Moreover, the affordable housing restriction for eighteen SHI units is scheduled to expire this year is at Landmark House, a HUD 202 development for the elderly. In addition, the restriction controlling twelve of the twenty-seven units at the Academy Hill School – also reserved for seniors - will expire near the end of 2016.



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## LOCAL WORKFORCE HOUSING EFFORTS

DHCD does not “count” all of Nantucket’s deed-restricted housing on the SHI. In most cases this is because Nantucket’s affordable units tend to be restricted for households with higher incomes than the state defines as low or moderate income. There are also developments with an approved comprehensive permit and partially under construction, but the SHI-eligible units have not been built or simply have not been added to the state’s list. The following local initiatives to create affordable housing are either ineligible or not ready for listing in the SHI.



- **Housing Nantucket.** Twenty-four out of thirty-one rental units and fifty-six covenant homes for year-round residents with incomes up to 150 percent AMI.
- **Habitat for Humanity.** Six homeownership units and one currently under construction. Habitat is also scheduled to construct four of the affordable units at Sachem's Path.
- **Nantucket Housing Authority/Housing Assistance Corporation of Cape Cod.** Sachem's Path, a 36-unit homeownership development under construction on land owned by the Nantucket Housing Authority, will eventually generate eight SHI-eligible units. (The remaining twenty-eight units will be "Nantucket affordable," i.e., for households with incomes between 100 and 150 percent AMI.) The Town has made a considerable investment in Sachem's Path with Community Preservation Act (CPA) funds.
- **Nantucket Education Trust (NET).** Several years ago, the NET created twelve employer-assisted housing for teachers on Cow Pond Lane near the school complex. The project is not actually occupied by many teachers, but the units exist and they are available to the general public when there is not enough interest from school department employees. In 2015, the Cow Pond Lane units provide housing for four school department workers, three town employees, and five other Nantucket households unrelated to the schools.<sup>52</sup>
- **Town of Nantucket:**
  - **Town:** One year-round dwelling at 38 Westchester Street, used as entry housing for department heads.
  - **Department of Public Works.** Four year-round units for employees at the Surfside Wastewater Treatment Facility (one one-bedroom unit, one two-bedroom unit, and two three-bedroom units).<sup>53</sup>
  - **Airport:** One year-round dwelling unit with six to eight beds.
  - **Nantucket Police Department.** Seasonal housing at LORAN Station for summer reserve officers and community service officers; forty-two beds, including eight for female employees; and seasonal housing for lifeguards, including 47 Okorwaw Avenue (ten beds), 109 Washington Street Ext. (four beds), and 39 Washington Street (twelve beds).
- **Employer-Assisted Housing.** There is no comprehensive inventory of employer-owned housing on Nantucket, but several private employers are known to provide short-term or seasonal housing for their workers. One of the island's largest employers, **Nantucket Island Resorts, Inc.**, maintains 210 beds for seasonal employees of its five hotels and marina. Most of the beds are actually reserved for experienced hospitality workers returning to Nantucket for the summer season. Nantucket Island Resorts employs about 400 people at peak season, so the dormitory beds accommodate just a little over

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<sup>52</sup> Caitlin Waddington, Nantucket Community School, by email, March 18, 2015.

<sup>53</sup> Kara Buzanoski, Nantucket DPW Director, by email, March 18, 2015.

half of its seasonal workers.<sup>54</sup> The company also employs fifty-five to fifty-six year-round workers, all of whom depend on other privately owned housing on Nantucket. Other examples of employer-owned housing for workers include **Something Natural**, a popular sandwich and specialty foods shop owned by Selectman Matt Fee, which provides housing for approximately twenty-four of its fifty seasonal employees.<sup>55</sup> Other entities such as **Stop & Shop** are known to rent units to house their workers as well. The **Nantucket Cottage Hospital** owns twenty-six workforce housing units (combined total of 58 bedrooms) and leases seven additional units (21 bedrooms).

- **The U.S. Coast Guard** owns ten three-bedroom units at Gouin Village and at LORAN Station, eight three bedroom and two four bedroom units.
- **Rental Assistance Program.** Nantucket's **Interfaith Council** provides temporary financial assistance to help year-round renters with housing emergencies due to family illness, loss of work, or other unforeseen conditions, or to help them move from substandard units to safe, decent, year-round housing. Since there are no shelter facilities for the homeless on Nantucket, the Rental Assistance Program plays a critical role in helping to prevent homelessness with a flexible "stop-gap" subsidy. To qualify for help, renters must have lived on Nantucket for at least two years, have some source of employment, and live in legal (code-compliant) housing. Many applicants live in illegal units, so they can receive help only if they move to better housing. In a given year, the Rental Assistance Program helps sixty to seventy households with an overall program budget of approximately \$150,000.

While the Town, non-profit organizations, and local employers have taken steps to provide affordable housing, the existing level of effort and the existing approaches are not enough. The present inventory of deed-restricted units does not begin to meet Nantucket's needs for affordably priced units at all market levels, from households with very low incomes to those earning somewhat more than the maximum for the Nantucket Housing Needs Covenant Program. There are about 500 renter households with incomes in a range that might qualify for a covenant homeownership unit (generally 80-150 percent AMI), but the program currently includes just fifty-six units, most of which were created from conveyances that occurred on the eve of the last recession (pre-December 2007). A unit-by-unit approach like that of the covenant program makes sense for growth management and housing preservation reasons, but it is not an efficient way to create housing for people who need it.

In addition, while the Town of Nantucket has created or otherwise provides for some housing for municipal and school employees, the majority of units established through Town-sponsored or Town-supported efforts are actually not workforce units; rather, they are for seniors. It must be very difficult for elderly residents who spent their working years as Nantucket homeowners or renters, only to find themselves without suitable, affordable housing in retirement. Projects like Academy Hill Apartments and Our Island Home play a vital role in preserving age and income diversity on Nantucket. Town-sponsored workforce housing should complement, not compete with, these other humanitarian programs.

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<sup>54</sup> Nantucket Island Resorts, interview, January 19, 2015.

<sup>55</sup> Matt Fee, interview, January 18, 2015.

However, short of significantly increasing its housing supply, Nantucket will not be able to address the needs of any of the groups that need housing priced appropriately for their means – including but not limited to the people in the workforce. **The existing supply is inadequate, and as numerous past studies and reports show, the supply has been inadequate for a very long time.**

## MOVING FORWARD

Nantucket should focus on addressing several workforce housing barriers in order to achieve the following ten-year production goals.

WORKFORCE HOUSING DEVELOPMENT STRATEGY 2015-2025 <sup>56</sup>			
Workforce Housing Income Tier	Estimated Number of Units	Tools	Potential Methods
120-150% AMI	20 Homeownership 30 Rental	Inclusionary Zoning Covenant Program Overlay District Buydowns Land Bank	New development Reuse of existing dwellings: conversion of large houses into smaller units
100-120% AMI	20 Homeownership 30 Rental	Housing Rehabilitation Covenant Program Nonconforming Lots Incentive Zoning Town Land	New development Reuse of existing dwellings Scattered site/infill housing
80-100% AMI	10 Homeownership 15 Rental	CPA Subsidy HOME Accessory apartments Town Land – existing or land the Town could acquire for community housing purposes	New development Scattered site/infill housing
50-80% AMI	10 Homeownership 60 Rental 20 SRO	LIHTC HOME CPA Chapter 40B Accessory apartments Town Land	New development Conversion of obsolete commercial space
30-50% AMI	25 Rental	LIHTC Section 8 PBA Chapter 40B National Affordable Housing Trust (new federal program)	New construction
Total	240 Units		
	Homeownership: 60 Rental: 180		

## ACTIONS

### ■ Make better use of Chapter 40B to create affordable housing for working families.

Enacting zoning changes to create affordable housing can be very difficult, even in communities that are generally supportive of affordable and workforce housing efforts. Nantucket should consider actively pursuing partnerships with non-profit and for-profit developers that have worked successfully with cities

<sup>56</sup> The strategy calls for 240 units over ten years, which is a more manageable effort than the several-hundred units contemplated in Nantucket's 2002 housing plan. The basis for 240 units is that 240 represents 10 percent of the island's total housing growth from 2000 to 2010.

and towns on so-called “friendly” Chapter 40B developments. For example, the Town of Shrewsbury (Central Massachusetts) has issued “Requests for Expressions of Interest” to recruit private developers as partners for Local Initiative Program (LIP) comprehensive permits. Nantucket could also provide financial support to friendly Chapter 40B developments (as was done for Sachem’s Path). Examples of potential funding mechanisms could include **purchase price buydowns** of affordable units from 80 percent AMI or market-rate units to 150 or 120 percent AMI. A purchase price buydown subsidizes the difference between an asking price and a price that is actually affordable to a low, moderate, or middle-income homebuyer.

### ■ Evaluate options for regulatory reform.

Nantucket has taken steps to increase the housing supply in ways that should produce modestly priced housing even if not deed restricted, e.g., the multifamily overlay district, the recently enacted tertiary unit program, and relaxation of requirements for accessory apartments. The Town could also consider some options that have been pursued in other communities:

- **Affordable Units on Small Lots.** Amend the Zoning Bylaw to allow substandard (undersized) lots to be used for an infill single-family workforce housing unit, such as renovated relocation unit, subject to a covenant and year-round occupancy requirements.



- **Remove Barriers to Supply.** Nantucket’s present zoning imposes large-lot requirements on over 70 percent of the island. The desire to limit growth in rural areas makes good planning sense, but there needs to be offsetting development incentives – with or without affordability restrictions – in areas close to goods and services.
- **Inclusionary Zoning.** Work with for-profit and non-profit developers to design an inclusionary housing bylaw that could work throughout or within selected areas of any high- or moderate-density zoning district.

Inclusionary zoning is a bylaw that requires or provides incentives for developers to create affordable housing as a part of market-rate developments, either by including affordable housing

in the development, building it off-site, or contributing land or money to a housing trust fund in lieu of construction. In Massachusetts, it was pioneered successfully in three cities – Brookline, Cambridge, and Newton – and has gradually spread to suburban areas, but with mixed results. Due to Nantucket’s very high land costs and seemingly relentless market interest in seasonal homes, inclusionary zoning will never provide a “cure-all” for the island’s workforce housing needs. By the same token, Nantucket has the basic ingredients found in most inclusionary zoning programs in the U.S.: strong housing demand and high housing costs that can provide an internal subsidy.<sup>57</sup>

Nantucket currently gives the Planning Board special permit authority to require inclusionary housing units in major commercial developments. Consideration should be given to imposing an actual requirement in commercial, multifamily, or higher-density districts and giving the Planning Board authority to waive the requirement in exchange for a reasonable alternative, e.g., a cash contribution to the Town’s housing trust.

### ■ **Build financial resources and capacity to develop mixed-income housing.**

Nantucket needs to develop an affordable housing fund that includes not only Community Preservation Act (CPA) revenue, but also monies from other sources. The following concepts should be pursued:

- **Housing Bank.** A transfer tax comparable to that established for the Nantucket Land Bank Commission in 1983. Nantucket voters had the opportunity to adopt the Nantucket Community Housing Bank, a home rule option to impose a 1 percent transfer tax on real estate transactions on Nantucket, comparable to the Martha’s Vineyard Housing Bank. Although it originally received their approval, Nantucket voters rejected the measure when it came back for a second vote, perhaps out of concern about taxes or impediments to future home sales. The program or a similar one needs to be resurrected and reintroduced in Nantucket. Available state and federal subsidies are very limited, declining, and not necessarily in sync with Nantucket’s workforce housing needs. **The Town needs resources to develop price-appropriate housing for year-round and seasonal workers.**
- **Land Bank Partnership.** Exploring options for reallocating a portion of the Land Bank’s funding for joint open space-affordable housing initiatives modeled after successful projects elsewhere, e.g., Battle Road Farm in Lincoln, Massachusetts; Island Co-housing, West Tisbury; or Ryan Road in Northampton. There are *many* examples of successful open space/affordable housing initiatives in Massachusetts, including established partnerships between the Vineyard’s Island Housing Trust and the Martha’s Vineyard Land Bank Commission. Nantucket does not need to “reinvent the wheel” in terms of establishing a working relationship with the Land Bank Commission. There are plenty of models, both in New England and throughout the country.

<sup>57</sup> See Appendix C for inclusionary zoning training packet prepared for Citizen Planner Training Collaborative (CPTC) in 2014-2015.

- **Priority Consideration for CPA funds.** Nantucket could make a sustained commitment to allocate most of the CPA funds to affordable housing (which may include land acquisition for new moderate-income housing construction), e.g., as has been done in Provincetown.
  - **Issuance of Bonds.** The Town needs land that is free of conservation restrictions for municipally sponsored housing development, e.g., acquisition of land for new construction or acquisition of existing housing that can be redeveloped as multifamily units. Some communities have issued bonds for this purpose, backed by CPA funds, or used the home rule process to exempt bonds for housing and community development projects from the constraints on use of bond proceeds in G.L. c. 44. The Town of Easton partnered with Beacon Communities to save a historically significant mill from demolition by reusing the property for affordable housing. Toward that end, Easton gave both outright grants and a deferred payment loan, both CPA-assisted, to facilitate Beacon's project.
  - **Revitalize the Housing Trust.** Nantucket established an affordable housing trust by adopting a 2004 state law, but the trust is underutilized due to vacancies and loss of qualified staff. The Town should recruit new members and provide the trust with a housing planner (at least part-time) to help develop a business plan for the trust's loan fund and underwriting guidelines for potential projects. **The Town needs in-house housing advocacy in order to make any measurable gains in the production and monitoring of affordable housing, but in-house advocacy will only go so far without reliable support from the community.**
- **Pay attention to fair housing concerns, especially in light of new regulations under the federal Fair Housing Act.**
- HUD is expected to release new, more stringent Fair Housing Act regulations in the next few months, based on a proposed rule published in the *Federal Register* on July 19, 2013 ("Affirmatively Furthering Fair Housing; Proposed Rule). The regulations will have a "cross-cutting" impact on federal funds that communities receive from other agencies, e.g., transportation, education, library, and so on. Nantucket should develop and adopt affirmative fair housing policies to guide the use of Town-owned resources (land, buildings, or funding) in order to ensure non-discrimination against groups protected under the federal Fair Housing Act, e.g., families with children, people with disabilities. The Town could embrace a policy similar to that recently adopted by state (providing for a minimum percentage of three-bedroom units in any given development).
- **Build capacity to develop mixed-income and affordable housing through partnerships with seasoned non-profit developers.**

Develop a working partnership between Housing Nantucket and an experienced non-profit or for-profit developer with a track record for "friendly" mixed-income housing developments in other communities. Non-profit examples: Neighborhood of Affordable Housing (NOAH) or The Community Builders in Boston, or Housing Assistance Corporation on the Cape. For-profit examples include Beacon Communities.

■ **Ensure that housing developed on Town-owned land is managed by a qualified private entity.**

■ **Revisit the meaning of “workforce housing.”**

For purposes of the Nantucket Housing Needs Covenant Program, the Town embraced a definition of workforce housing that was consistent with a then-new gubernatorial executive order in the early 2000s: a qualifying income up to 150 percent AMI. The upper end of the workforce housing income range makes sense for homeownership units, but consideration should be given to devoting equal or greater emphasis to rental housing for lower-income workers. The strongest components of Nantucket’s employment base involve low-wage jobs in hospitality, tourism, and arts and recreation industries. While the town clearly needs to support the development of higher wage jobs in other sectors, hospitality and tourism are crucial components of the Town’s economy. Taking steps to reduce overcrowding and rentals in substandard units and providing safe, decent, sanitary housing options for the island’s low-income workers will be important not only for economic development but also affirmatively furthering fair housing.

## APPENDIX A: GLOSSARY

**Affirmative Marketing Plan.** A plan that meets the fair housing and non-discrimination requirements of the Department of Housing and Community Development (DHCD) for marketing affordable housing units. Such plan typically provides for a lottery and outreach to populations protected under the federal Fair Housing Act of 1968, as amended. The plan must be designed to prevent housing discrimination on the basis of race, creed, color, national origin, sex, age, disability, familial status, sexual orientation, gender identity, or any other legally protected class under state or federal law.

**Affordable Housing.** As used in this report, "affordable housing" is synonymous with low- or moderate-income housing, i.e., housing available to households earning no more than 80 percent of area median income at a cost that does not exceed 30 percent of their monthly gross income.

**Affordable Housing Fund.** The mechanism used to account for and report revenues and expenditures for affordable housing, including but not limited to Community Preservation Act (CPA) receipts and other affordable housing funding sources.

**Area Median Income (AMI).** The median family income, adjusted for household size, within a given metropolitan or non-metropolitan area, updated annually by HUD and used to determine eligibility for most housing assistance programs. For Nantucket, AMI is based on the Nantucket County Median Income.

**Chapter 40A.** G.L. c. 40A, the state Zoning Act. The current version of the Zoning Act was adopted in 1975 (1975 Mass. Acts 808).

**Chapter 40B.** G.L. c. 40B, § 20-23 (1969 Mass. Acts 774), the state law administered locally by the Board of Appeals in order to create affordable housing. It provides eligible developers with a unified permitting process that subsumes all permits normally issued by multiple town boards. Chapter 40B establishes a basic presumption at least 10 percent of the housing in each city and town should be affordable to low- or moderate-income households. In communities below the 10 percent statutory minimum, affordable housing developers aggrieved by a decision of the Board of Appeals can appeal to the state Housing Appeals Committee, which in turn has authority to uphold or reverse the Board's decision.

**Chapter 40R.** G.L. c. 40R (2004 Mass. Acts 149, s. 92), a state law that provides for overlay districts with variable densities for residential development and multi-family housing by right (subject to site plan review). At least 25 percent of the units in a Chapter 40R district have to be affordable to low- or moderate-income people.

**Chapter 44B.** G.L. c. 44B (2000 Mass. Acts 267), the Community Preservation Act, allows communities to establish a Community Preservation Fund for open space, historic preservation, and community housing by imposing a surcharge of up to 3 percent on local property tax bills. The state provides

matching funds (or a partial match) from the Community Preservation Trust Fund, generated from Registry of Deeds fees.

**Comprehensive Permit.** The unified permit authorized by Chapter 40B for affordable housing development.

**Community Development Block Grant (CDBG).** Under the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5300 et seq.), the U.S. Department of Housing and Urban Development (HUD) makes funds available each year for large cities ("entitlement communities") and each of the fifty states (the Small Cities or "non-entitlement" program). CDBG can be used to support a variety of housing and community development activities provided they meet one of three "national objectives" established by Congress. Housing activities are usually designed to meet the national objective of providing benefits to low- or moderate-income people. Funds may be used for housing rehabilitation, redevelopment of existing properties for residential purposes (in some cases), making site improvements to publicly owned land in order to support the construction of new housing, interest rate and mortgage principal subsidies, and downpayment and closing cost assistance. As a "non-entitlement community," Nantucket has received CDBG funds in the past from DHCD and can only do so again by submitting a competitive application in the future. It could be an advantageous mechanism for code enforcement. The state program is guided by a five-year Consolidated Plan and One-Year Action Plans required by HUD.

**Community Housing.** As defined under Chapter 44B, "community housing" includes housing affordable and available to (a) households with incomes at or below 80 percent AMI and (b) between 81 percent and 100 percent AMI.

**Comprehensive Permit.** The unified permit authorized by Chapter 40B for affordable housing development.

**Consolidated Plan.** A five-year plan required by HUD in order for large cities and states to spend CDBG and HOME funds. The purpose of the plan is to document and analyze housing market conditions, affordable housing needs, homelessness and disability housing needs, and non-housing community development needs in the city or state that receives federal housing and community development funds and design a strategy to address those needs using federal, state, local, and private resources. HUD grant recipients also have to prepare one-year action plans showing how each year's funding will be used in a manner consistent with the five-year Consolidated Plan.

**Department of Housing and Community Development (DHCD).** The state's lead housing agency, originally known as the Department of Community Affairs (DCA). DHCD oversees state-funded public housing and administers rental assistance programs, the state allocation of CDBG and HOME funds, various state-funded affordable housing development programs, and the Community Services Block Grant (CSBG) Program. DHCD also oversees the administration of Chapter 40B.

Extremely Low Income. See Very Low Income.

Fair Housing Act (Federal). Established under Title VII of the 1968 Civil Rights Act, the federal Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), sexual orientation, gender identity, and disability.

Fair Housing Law, Massachusetts. G.L. c. 151B (1946), the state Fair Housing Act prohibits housing discrimination on the basis of race, color religious creed, national origin, sex, sexual orientation, age, children, ancestry, marital status, veteran history, public assistance reciprocity, or physical or mental disability.

Fair Market Rent (FMR). A mechanism used by HUD to control costs in the Section 8 rental assistance program. HUD sets FMRs annually for metropolitan and non-metropolitan housing market areas. The FMR is the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market. (See 24 CFR 888.)

Family. Under the Federal Fair Housing Act (FFHA), family includes any of the following:

- (1) A single person, who may be an elderly person, displaced person, disabled person, near-elderly person, or any other single person; or
- (2) A group of persons residing together, and such group includes, but is not limited to:
  - (a) A family with or without children (a child who is temporarily away from the home because of placement in foster care is considered a member of the family);
  - (b) An elderly family;
  - (c) A near-elderly family;
  - (d) A disabled family;
  - (e) A displaced family; and
  - (f) The remaining members of a tenant family.

Gross Rent. Gross rent is the sum of the rent paid to the owner plus any utility costs incurred by the tenant. Utilities include electricity, gas, water and sewer, and trash removal services but not telephone service. If the owner pays for all utilities, then gross rent equals the rent paid to the owner.

Group Home. A type of congregate housing for people with disabilities; usually a single-family home.

**Inclusionary Zoning.** A zoning ordinance or bylaw that encourages or requires developers to build affordable housing in their developments or provide a comparable public benefit, such as providing affordable units in other locations ("off-site units") or paying fees in lieu of units to an affordable housing trust fund.

**Infill Development.** Construction on vacant lots or underutilized land in established neighborhoods and commercial centers.

**HOME Investment Partnership Program (HOME).** A HUD-administered formula grant program that supports the creation and preservation of housing for low- or moderate-income people. Authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended, HOME provides funding to states, larger cities, and groups of contiguous communities that form a consortium for the purpose of qualifying as a "Participating Jurisdiction," or "PJ," which is similar to a CDBG entitlement recipient. Falmouth is part of the Barnstable County HOME Consortium, administered by the Cape Cod Commission. HOME funds can be used for home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers, construction or rehabilitation of housing for rent or ownership, or site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and relocation expenses. PJs may also use HOME funds for tenant-based rental assistance contracts of up to two years if doing so is consistent with their Consolidated Plan and justified under local market conditions. Up to 10 percent of the PJ's annual allocation may be used for program planning and administration.

**Household.** One or more people forming a single housekeeping unit and occupying the same housing unit. (See definition of FAMILY)

**Housing Appeals Committee (HAC).** A five-member body that adjudicates disputes under Chapter 40B. Three members are appointed by the Director of DHCD, one of whom must be a DHCD employee. The governor appoints the other two members, one of whom must be a city councilor and the other, a selectman.

**Housing Authority.** Authorized under G.L. 121B, a public agency that develops and operates rental housing for very-low and low-income households.

**Housing Cost, Monthly.** For homeowners, monthly housing cost is the sum of principal and interest payments, property taxes, and insurance, and where applicable, homeowners association or condominium fees. For renters, monthly housing cost includes rent and basic utilities (oil/gas, electricity).

**HUD.** See U.S. Department of Housing and Urban Development.

**Inclusionary Zoning.** Zoning regulations that encourage or require the inclusion of affordable units in residential or mixed-use developments.

**Jobs-to-Housing Ratio.** An indicator of the adequacy of employment and housing in a given community or area.

**Labor Force.** The civilian non-institutionalized population 16 years and over, either employed or looking for work.

**Labor Force Participation Rate.** The percentage of the civilian non-institutionalized population 16 years and over that is in the labor force.

**Local Initiative Program (LIP).** A program administered by DHCD that encourages communities to create Chapter 40B-eligible housing without a comprehensive permit, e.g., through inclusionary zoning, purchase price buydowns, a Chapter 40R overlay district, and so forth. LIP grew out of recommendations from the Special Commission Relative to the Implementation of Low or Moderate Income Housing Provisions in 1989. The Commission prepared a comprehensive assessment of Chapter 40B and recommended new, more flexible ways to create affordable housing without dependence on financial subsidies.

**Low Income.** As used in this report, low income means a household income at or below 50 percent of AMI. It includes the household income subset known as very low income.

**Massachusetts Housing Partnership (MHP).** A public non-profit affordable housing organization established by the legislature in 1985. MHP provides technical assistance to cities and towns, permanent financing for rental housing, and mortgage assistance for first-time homebuyers.

**MassHousing.** The quasi-public state agency that provides financing for affordable housing.

**Mixed-Income Development.** A residential development that includes market-rate and affordable housing.

**Mixed-Use Development.** A development with more than one use on a single lot. The uses may be contained within a single building ("vertical mixed use") or divided among two or more buildings ("horizontal mixed use").

**Moderate Income.** As used in this report, moderate income means a household income between 51 and 80 percent of AMI.

**Overlay District.** A zoning district that covers all or portions of basic use districts and imposes additional (more restrictive) requirements or offers additional (less restrictive) opportunities for the use of land.

**Regulatory Agreement.** An affordable housing restriction, recorded with the Registry of Deeds or the Land Court, outlining the developer's responsibilities and rights

**Section 8.** A HUD-administered rental assistance program that subsidizes "mobile" certificates and vouchers to help very-low and low-income households pay for private housing. Tenants pay 30

percent (sometimes as high as 40 percent) of their income for rent and basic utilities, and the Section 8 subsidy pays the balance of the rent. Section 8 also can be used as a subsidy for eligible rental developments, known as Section 8 Project-Based Vouchers (PBV), which are not "mobile" because they are attached to specific units.

**Shared Equity Homeownership.** Owner-occupied affordable housing units that remain affordable over time due to a deed restriction that controls resale prices, thereby retaining the benefits of the initial subsidy for future moderate-income homebuyers.

**Single Room Occupancy (SRO).** A building that includes single rooms for occupancy by individuals and usually includes common cooking and bathroom facilities shared by the occupants.

**Subsidized Housing Inventory (SHI).** A list of housing units that "count" toward a community's 10 percent statutory minimum under Chapter 40B.

**SHI-Eligible Unit.** A housing unit that DHCD finds eligible for the Subsidized Housing Inventory because its affordability is secured by a long-term use restriction and the unit is made available to low- or moderate-income households through an approved affirmative marketing plan.

**Subsidy.** Financial or other assistance to make housing affordable to low- or moderate-income people.

**Typical, Non-substandard Rental Units.** A term that defines the types of rental units that HUD includes and excludes in establishing the FMR for each housing market area. The term excludes: public housing units, rental units built in the last two years, rental units with housing quality problems, seasonal rentals, and rental units on ten or more acres.

**U.S. Department of Housing and Urban Development (HUD).** The lead federal agency for financing affordable housing development and administering the Fair Housing Act.

**Very Low Income.** As used in this report, very low income is a household income at or below 30 percent of AMI. In some housing programs, a household with income at or below 30 percent of AMI is called extremely low income.

**Workforce.** People who work or who are available for work, either in a defined geographic area or a specific industry.

**Workforce Housing.** There is no single industry standard that defines "workforce housing." HUD defines it as housing affordable to households earning between 80 and 120 percent of AMI. The Urban Land Institute has traditionally used the term "workforce housing" to describe units affordable to households with incomes between 60 and 100 percent AMI. Nantucket has adopted a broad range of incomes for the term "workforce housing," from 60 to 150 percent AMI.

## APPENDIX B: NATIONAL LOOK AT WORKFORCE HOUSING INITIATIVES

Appendix B presents workforce housing initiatives in other resort communities with challenges similar to those on Nantucket. Internet research was conducted to identify communities facing similar housing barriers for low- to middle-income workers. The communities selected for “case study” review were chosen based on the following criteria:

- 1) “Similar” to Nantucket in terms of the following: seasonal, resort, extremely high housing costs relative to surrounding areas, low relative average wage, high wage adjustment factor;
- 2) Optionally, one of the case studies could examine a non-resort community with substantial growth in housing values;
- 3) Has an active “workforce” housing program; and
- 4) Local or county government sponsors programs.

A number of communities were identified with the criteria listed above. The following three are highlighted due to the availability of information, willingness of local staff to participate, and relevance of potential strategies. It is important to note that by focusing on these similarity factors, some well-known workforce housing programs have been eliminated – programs in places with established traditions in inclusionary zoning and price-appropriate housing at a variety of income levels, e.g., Montgomery County, MD.

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### KEY WEST, FLORIDA

**The Problem.** Contributing factors to the need for affordable housing in Key West include lower-wage tourism based jobs; loss of military families that lived in housing subsidized by the government; increased demand for second homes; government limitations on growth due to hurricane evacuation procedures; the loss of housing due to conversion to guesthouses; and the lack of available vacant land.<sup>58</sup> The city is 120 miles from the mainland, which means it shares Nantucket’s difficulty to recruit qualified workers without suitable housing. Additionally, the state of Florida froze new home construction in Key West (except to replace older structures) due to tighter hurricane evacuation standards and other reasons.<sup>59</sup> Housing construction in Key West has only just restarted.<sup>60</sup>

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<sup>58</sup> Parker, Dan, “How Key West Handles It,” Port Aransas South Jetty, October 23, 2014 last accessed at [http://www.portasouthjetty.com/news/2014-10-23/Front\\_Page/How\\_Key\\_West\\_handles\\_it.html](http://www.portasouthjetty.com/news/2014-10-23/Front_Page/How_Key_West_handles_it.html)

<sup>59</sup> Parker, Dan, “How Key West Handles It,” Port Aransas South Jetty, October 23, 2014 last accessed at [http://www.portasouthjetty.com/news/2014-10-23/Front\\_Page/How\\_Key\\_West\\_handles\\_it.html](http://www.portasouthjetty.com/news/2014-10-23/Front_Page/How_Key_West_handles_it.html)

<sup>60</sup> Interview with Kevin Bond, Acting Planning Director, City of Key West

Key West has a multi-pronged approach to workforce housing and adopted a Workforce Housing Ordinance in 2005.

## BASIC PROGRAM COMPONENTS

- **Accessory Dwelling Units / Incentives.** In order to encourage the private sector to provide affordable and workforce housing, the City of Key West allows owners of single-family residences to build smaller homes as additions that could provide more affordable housing.<sup>61</sup> This initiative has had limited appeal because the units created are generally small and only permitted in one zoning district.
- **Mixed Use Incentives.** Future policy indicates that in all mixed use zoning districts, the City will encourage the addition of affordable workforce housing on the same site as commercial properties and institutions to promote employee housing.<sup>62</sup> The Accessory Unit Infill Incentive ordinance provides a break on parking requirements for providing affordable units in commercial districts (e.g., allowing a bike or motor bike space rather than a car space). The Compact Infill Development also encourages affordable housing in commercial districts by providing bonus square footage for providing affordable units. These two newer ordinances are yet to be tested – though permit applications have been submitted.
- **Inclusionary Housing Ordinance.** In 2005, the City of Key West adopted a workforce housing ordinance that requires 30 percent of the units in new housing developments to be affordable to people employed in the local economy. Income eligibility reflects the percentage of the workforce at each income level, mixes people of all incomes together, and does not create high and low-income enclaves. Due to the lack of new housing construction in Key West, however, this ordinance has not yet produced any affordable housing. Key West is essentially in a redevelopment phase.

Key West Inclusionary Housing Ordinance: Income Tiers		
	Rental Housing Limits (% area median income)	Ownership Housing Limits (sales price not to exceed)
Low Income	80% AMI	2.5x AMI
Median Income	100% AMI	3.5x AMI
Moderate Income	120% AMI	5x AMI
Middle Income	140% AMI	6.5x AMI

Under the inclusionary ordinance, 10 percent of all new market-rate housing must be affordable to low income households and 20 percent of all new housing must be affordable to median income households. Applicants for affordable housing are required to earn 70 percent of their income in Key West. In addition to residential construction requirements, any new commercial industrial, hotel/motel, or multi-family housing development shall be required to provide affordable housing or pay "fees in lieu" to the Housing Trust Fund. A fee-in-lieu program is permitted only for projects of ten units or

<sup>61</sup> Parker, Dan, "How Key West Handles It," Port Aransas South Jetty, October 23, 2014 last accessed at [http://www.portasouthjetty.com/news/2014-10-23/Front\\_Page/How\\_Key\\_West\\_handles\\_it.html](http://www.portasouthjetty.com/news/2014-10-23/Front_Page/How_Key_West_handles_it.html)

<sup>62</sup> Key West Comprehensive Plan, Appendix A, 2013

less. The affordability requirement remains in place in perpetuity for any deed restriction enacted after the ordinance was adopted (affordability may expire for those built before 2005).<sup>63</sup>

## OTHER HOUSING INITIATIVES

The City has historically taken a proactive approach to providing affordable units by working with the State of Florida and private developers to allow more affordable units. Through a community development organization, the City serves as developer of affordable workforce housing units on city-owned property located in both Key West and in the community redevelopment areas. On the legislative side, the City has implemented policies to allow accessory apartments to single-family homes, to facilitate infill of affordable units, and to facilitate apartments above commercial developments.<sup>64</sup>

- **Building Permit Allocation System:** Key West's Building Permit Allocation System (BPAS) requires a set percentage of new building permits per year that must be designated as affordable.<sup>65</sup> Between 2013 and 2023, the BPAS will allow 91 new units to be constructed per year; approximately half of them will be affordable.
- **Housing Trust Fund:** Funded by revenue from fees-in-lieu collected, the Fund is earmarked for the provision of housing affordable to low- and moderate-income households. Options for use include: (1) financial aid to developers; (2) mortgage assistance to homeowners; (3) financial incentive for converting transient units to affordable housing; (4) direct investment in or leverage to housing affordability through site acquisition, housing development and housing conservation; or (5) other affordable workforce housing purposes.
- **Homebuyers Assistance Program:** To assist eligible members of the workforce to obtain loans (\$20,000 maximum) so they can become homeowners. The community development office through the housing authority of the City of Key West administers this program.

## TRACK RECORD

While the City of Key West has made progress on increasing the supply of affordable housing, "the provision of decent, safe, sanitary and affordable housing to all residents continues to be one of the most daunting challenges that the City of Key West faces."<sup>66</sup> Their efforts are complicated by statewide hurricane evacuation policy (which slowed down housing construction) and expiring deed restrictions. In the coming years, it will be possible for hundreds of new residential units to be constructed; of those, approximately 500 should be affordable to the workforce.

<sup>63</sup> Parker, Dan, "How Key West Handles It," Port Aransas South Jetty, October 23, 2014 last accessed at [http://www.portasouthjetty.com/news/2014-10-23/Front\\_Page/How\\_Key\\_West\\_handles\\_it.html](http://www.portasouthjetty.com/news/2014-10-23/Front_Page/How_Key_West_handles_it.html)

<sup>64</sup> Key West Comprehensive Plan, Appendix A, 2013

<sup>65</sup> Key West Comprehensive Plan, Housing Element, 2013

<sup>66</sup> Parker, Dan, "How Key West Handles It," Port Aransas South Jetty, October 23, 2014 last accessed at [http://www.portasouthjetty.com/news/2014-10-23/Front\\_Page/How\\_Key\\_West\\_handles\\_it.html](http://www.portasouthjetty.com/news/2014-10-23/Front_Page/How_Key_West_handles_it.html)

## LESSONS LEARNED<sup>67</sup>

At the time of the 2005 Evaluation and Appraisal Report, it was noted that the workforce housing construction (inclusionary) policy has been successful. However, there was still a recognized shortage of affordable units.<sup>68</sup> According to the Acting Planning Director, the City is looking now to ways to permit increased density and taller building heights as an incentive for new construction. They recognize that they cannot build their way out of the problem. Building new construction is difficult (due to limited land availability) and expensive; there is a negligible difference in constructing a market rate and an affordable unit. Therefore, the City is focusing on reuse of existing vacant or underutilized properties and increasing density in commercial areas.

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## BRECKENRIDGE, COLORADO

**The Problem.** Like other resort communities, Breckenridge has a sizable gap between what its service and local employees earn and the cost of housing. While not an island, the town is mostly built-out and limited in future growth by the National Forest, which surrounds the town (they have conducted some land trades). The town's goal is that at least 50 percent of those people working in town will be residents. The benefits of this are to reduce in-commuting, improve quality of life for the local workforce, and strengthen the community. Breckenridge's biggest challenge going forward is losing unrestricted units in which locals are currently living. Over the next five to ten years, the town expects to lose a significant number of workforce units due to employee retirement (many of these people purchased their homes in the 1970s, before real estate prices escalated). Market appreciation means these units will not even be affordable for the town to buy down.

### HOUSING TRUST FUND

A county-wide, voter-approved (2006) impact fee (\$2 per square foot) and sales tax (0.125%) funds Breckenridge's Affordable Housing Trust Fund. The Fund enables Breckenridge to engage in a variety of housing efforts. Together, the fee and tax generate \$800,000 per year. These provisions will sunset in 2016 unless voters agree to an extension, so the process for renewing them has begun. The Housing Trust Fund can be used for annexation, acquiring land, and building projects. Breckenridge uses these funds for targeting some very low AMI, due to the larger subsidy needed. However, the fund balance is 1/10th of what the town needs to reach its goals. Breckenridge will leverage the fund balance and avail itself of any viable funding program (LIHTC, CDBG, etc.).

### OTHER HOUSING INITIATIVES

- **Inclusionary Zoning.** Breckenridge's zoning ordinance has protections and incentives in place to ensure that new development is contributing in some way to the workforce housing problem. New development is required to provide 10 percent of the units as affordable housing. Only approximately

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<sup>67</sup> Representatives from the Key West Planning Department did not respond to my request for information.

<sup>68</sup> Key West Comprehensive Plan, Appendix A, 2013

one-eighth of the Town's workforce housing is attributable to this requirement because it applies only to new construction, not redevelopment. Breckenridge is now in a redevelopment phase and sees little large-scale new construction.

- **Annexation.** Breckenridge has produced the most workforce housing through its annexation policy. The town will make a property outside of town boundaries developable by allowing access to public water and sewer system. In exchange, the developer has to provide 80 percent of the units as deed restricted workforce housing. While this strategy has been very successful, very limited potential for annexation remains in unincorporated areas adjacent to Breckenridge. This approach would obviously not work in Nantucket.
- **Buy-Downs.** With limited remaining land available for acquisition or annexation, the town is now pursuing a strategy to buy-down or acquire older properties (e.g. former lodging sties) and convert them into local housing in order to increase the workforce housing supply. According to Senior Planner Laurie Best, land banking (and buy-down, as part of it) is critical in order to create opportunities for either the public to create more housing itself or partner with a private developer by providing the land or rights.

## TRACK RECORD

As of May 2014, 32 percent of resident households in Breckenridge reside in workforce housing with occupancy, pricing, and income or use restrictions to ensure continued affordability and occupancy by locals.<sup>69</sup> Breckenridge began building affordable housing in 1997, with the bulk of deed-restricted ownership housing built before 2001. Forty-six percent of the growth in resident households between 2000 and 2010 is attributed to workforce housing development.<sup>70</sup> According to this May 2014 case study on Breckenridge, the town experienced the following impacts related, at least in part, to the development of workforce housing between 2000 and 2010:

- A 60% increase in the number of families with children able to live in town.
- Increased local occupancy of homes from 25% to 28%.
- Helped essential workers (healthcare, emergency services, education, and childcare) purchase homes.
- Decreased in-commuting by 100,000 vehicle miles each week.
- Increased local area expenditures by \$15m per year, due to the increase in year-round occupants.

<sup>69</sup> Wendy Sullivan, Impact of Affordable Workforce Housing on Community Demographics, Economies, and Housing Prices and Options; Case Study: Breckenridge, May 2014.

<sup>70</sup> Wendy Sullivan, Impact of Affordable Workforce Housing on Community Demographics, Economies, and Housing Prices and Options; Case Study: Breckenridge, May 2014.

- Provided locals with a variety of housing options and price points that held their value better and were less susceptible to foreclosure than market rate units.

## LESSONS LEARNED<sup>71</sup>

Higher density is critical. That is the only way to do projects on town-owned land and to have a significant impact. Standards must be strictly enforced to preserve affordability, too. Some units that were initially serving the Breckenridge workforce did not have tight enough standards or restrictions to keep them affordable over time. As a result, appreciation has gradually caused some units to become unaffordable to the workforce population. The Town now limits capital improvements and the ability for a property owner to increase value.

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## CHAMPLAIN HOUSING TRUST (CHAMPLAIN REGION, VT)

**The Problem.** When the Champlain Housing Trust (CRT) was founded in 1984, a critical low-income neighborhood in Burlington was gentrifying. Local residents could no longer afford to live there, and the organization's founders were concerned about the loss of community. CHT engaged in community organizing to secure public funds to buy property in those areas.<sup>72</sup> Today, the problem is that many prospective buyers do not have adequate funds to pay the down payment on a home (typically 20 percent of purchase price) plus closing costs (\$7,000 to \$8,000). According to CHT staff, the program offers something between renting and purchasing on the open market. It also secures the public subsidy (as stated in ground lease/covenant) by passing it and roughly 75 percent of the market appreciation on to the next buyer continuing its affordability.<sup>73</sup>

## SHARED EQUITY PROGRAM

Through its Shared Equity Program (SEP), the Champlain Housing Trust (CHT) offers qualified buyers assistance in purchasing a home. In exchange for that help, the buyers share the market appreciation of the home with the next buyer when they sell (25% to the original buyer and 75% to CHT).<sup>74</sup> A buyers' income may not exceed 100 percent of AMI and assets are capped. The buyer/homeowner obtains a mortgage from a bank and pays the principal each month. Usually, the homeowner also pays for closing costs, upkeep, and maintenance. When the homeowner decides to sell the property, CHT has the right of first refusal. In addition to sharing the appreciation, the homeowner recoups all of the equity built up through monthly principal payments, as well as any money spent on capital improvements.<sup>75</sup>

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<sup>71</sup> Based on interview with Laurie Best, Senior Planner, Town of Breckenridge.

<sup>72</sup> "Social Innovation Fund Partners with a National Nonprofit Organization and Community Programs to Help More Americans Achieve Homeownership" accessed at [http://docs.geofunders.org/?filename=sif\\_impact\\_ncb.pdf](http://docs.geofunders.org/?filename=sif_impact_ncb.pdf).

<sup>73</sup> Responses provided by Evan Girard, AmeriCorps Intern and Kim Moran, HOC Special Projects Coordinator

<sup>74</sup> Emily Higgins, Champlain Housing Trust, "How have shared equity housing models created positive impacts on the supply of affordable housing?" accessed at Cornerstone Partnership ([www.affordableownership.com](http://www.affordableownership.com))

<sup>75</sup> Nancy Cook, "What If There Was a Middle Option Between Renting and Owning?," National Journal, accessed at <http://www.nationaljournal.com/next-economy/solutions-bank/what-if-there-was-a-middle-option-between-renting-and-owning-20150213>

The shared equity model helps the CHT retain affordability over time. As a community land trust, CHT retains ownership of the land under the house, providing the buyer a ground lease for full rights, use and responsibility, which also helps to keep housing affordable.

The CHT is funded chiefly by the Vermont Housing and Conservation Board, an NGO in the state, via state property tax transfer fees. Some other sources have included Community Development Block Grants (CDBG) and Tax Credits for Homeownership, and Inclusionary Zoning required by cities and towns. CHT also relies on local lenders to understand and support the model; shared equity homes don't fit neatly into conventional transactions. With the tightening of credit after the market crash, CHT sought out and received a dedicated source of financing from a local bank to support down payments.

## TRACK RECORD

Originating in the mid-1980s, CHT now has over 550 single-family homes and condominiums in the SEP, most of which are occupied or seeking to be sold. According to a 25-year performance assessment conducted in 2009, *Lands in Trust, Homes that Last*, the program has:

- Improved access to housing – all households served earn 100% AMI or considerably less.
- Created individual wealth – the average recouped the original down payment of \$2,300 and received a net gain in equity of nearly \$12,000.
- Enabled residential mobility – 67.4 percent of next homes were market rate.
- Preserved affordability – 5.65 percent gain in affordability upon resale.
- Retained community wealth – bring homeownership to 357 lower-income families.
- Enhanced residential stability – 96.7 percent of homes remained in stewardship.

The CHT program is used as a national model. Additionally, it was awarded the United Nations World Habitat Award for the Global North and recognized as a viable alternative to the conventional mortgage markets.<sup>76</sup>

## LESSONS LEARNED

“Stewardship grows; data management software is important for managing properties and demonstrating outcomes; policies and procedures are important to the success of a program; funds are needed to provide down payments so that the net price is affordable; lenders who understand the model and want to participate.”<sup>77</sup> As a steward of significant public funds, CHT sought to broaden the geographic range covered by the organization. However, every community land trust (CLT) is different. CLTs exist in other island communities, such as Martha's Vineyard, Bainbridge Island, and the San Juan Islands in

<sup>76</sup> John Emmeus Davis & Alice Stokes, *Champlain Housing Trust, Lands In Trust, Homes That Last*, 2009.

<sup>77</sup> Summary from Kim Moran, HOC Special Projects Coordinator, CHT

Washington. While the program can be administered on a small scale, it requires creative and dedicated champions to initiate and maintain the program.

CHT is part of a national effort to bring this to scale through funding from the Ford Foundation and Social Innovation Fund. CHT has shared best practices around the state (with other CLTs) and many groups have adopted software to manage their property data and day-to-day workflow. In an appreciating market the fees are better able to support staffing, dedicated source of financing (mortgages) and dedicated source for down payment assistance (grants) is key to success.

### Community Summaries

	Champlain Region, VT	Breckenridge, CO	Key West, FL
Program Type	Shared Equity Housing Program	Sales & Impact Tax; Land Banking and Buy Down; Codes and Incentives; Annexation	New Construction (inclusionary); Accessory Units
Population Served	211,261 (2010); total population of 3 counties	4,540 (2010)	24,649 (2010); 56,000 (daily seasonal)
Income Level Served	Up to 100% of AMI. Can differ based on original funding source (e.g. Habitat for Humanity is capped at 80% AMI).	Up to 180% AMI (for-sale). Town-sponsored projects will target lower AMI, since the subsidy is so much more. More difficult to re-sell homes at higher ranges.	Divided into four categories of income ranging from 80% to 140% of AMI. Can increase up to 160%.
Median Household Income		\$70,000 (2012)	\$52,004 (2010)
Average Wage		\$33,000 (2012)	\$37,844 (2010)
Wage Adjustment Factor	None. Assume that wages will increase with housing costs.	None.	Unknown.
Median Residential Sale Price	\$238,000 (2008, Burlington/South Burlington MSA)	\$585,509 (2012)	\$382,450 (2010)
Change in Housing Cost	86% (1999 – 2006)	27% (2001 - 2006)	- 50% (2005 – 2010) [Decline from \$776,000 in 2005, attributed to the economic downturn]
Estimated Affordable Home Cost*		\$300,000 (2012)	\$156,000 (2013); at 100% AMI

Notes:

\* Estimates provided by community reports and calculations may differ.

## APPENDIX C: INCLUSIONARY ZONING TRAINING MATERIALS FOR CITIZEN PLANNER TRAINING COLLABORATIVE

CITIZEN PLANNER TRAINING COLLABORATIVE ANNUAL CONFERENCE 2014

### INCLUSIONARY ZONING

By

JUDI BARRETT

DIRECTOR OF MUNICIPAL SERVICES

RKG ASSOCIATES, INC.

jbarrett@rkgassociates.com

#### WHAT ARE WE TALKING ABOUT?

---

"Inclusionary zoning (IZ) requires developers to make a percentage of housing units in new residential developments available to low- and moderate-income households. In return, developers receive non-monetary compensation-in the form of density bonuses, zoning variances, and/or expedited permits-that reduce construction costs." *www.policylink.org*

"An ordinance or program that requires or provides incentives for developers to provide affordable housing as a part of their market-rate developments, either by including the affordable housing in the development, building it off-site, or contributing land or money to a housing trust fund in lieu of construction."

*-Allen Malloch, National Housing Institute*

"Inclusionary zoning (IZ) is a set of controls and incentives designed to encourage the production of affordable housing. The common characteristic of all IZ programs is the requirement that builders allocate a specific proportion of their development activity to "affordable" housing. For mandatory programs, it is common that builders have the alternative of paying a one-time fee rather than participating. Many programs are voluntary or allow significant exemptions. Most IZ programs offer developer incentives to compensate for the anticipated reduction in revenue. One of the most common incentives, the density bonus, allows developers to build beyond the density ceiling. Other incentives to participate consist of impact fee waivers, fast-tracking of permits, and construction subsidies . . ."

*-Alastair McFarlane, HUD*

"Inclusionary zoning is a local zoning ordinance or land use policy that either requires or encourages housing developers to include a specified percentage of low and/or moderate income housing in new residential developments . . ."

*-City of Walnut Creek, CA*

“Though they vary in form and restrictiveness from state to state, all programs contain five basic components . . . inclusionary percentage, income target, alternatives to on-site development, developer incentives, affordability periods . . .” –David McCarthy, UPenn School of Design

“ . . . any municipal or county ordinance that requires or allows a property owner, builder, or developer to restrict the sale or resale price or rent of a specified percentage of residential units in a development as a condition of receiving permission to construct that development . This definition thus covers both voluntary inclusionary programs in which the owner/builder/developer has an option to impose price restrictions, usually in return for certain incentives; and mandatory programs, in which the price or rent restrictions are a mandatory condition of approval. This definition also includes ordinances that allow payment of a fee as a way to opt out of an inclusionary program.”

–National Association of Home Builders

“Inclusionary zoning is distinctive from other affordable housing programs in three major respects: First, it primarily utilizes private sector development. Unlike many other affordable housing creation programs, inclusionary zoning does not necessitate a direct government subsidy. . . Second, it integrates affordable units directly into market-rate developments, thus dispersing incomes throughout the municipality . . . Third, inclusionary zoning often produces more for-sale units than conventional affordable housing programs (because it is the result of market production rather than government subsidies, which often mandate rental housing), targeting families at the higher end of the “low-income” spectrum.”

–Chicago Metropolitan Agency for Planning

[Inclusionary zoning] calls for a minimum percentage of lower and moderate income housing to be provided in new developments. Inclusionary programs are based on mandatory requirements or development incentives, such as density bonuses. Most inclusionary zoning programs contain the following elements: Income-eligibility criteria for defining affordability; Pricing criteria for affordable units; Restrictions on resale and re-rental of affordable units; Provisions for in-lieu fees; Other provisions regarding on-site or off-site construction requirements, transfer of excess affordable housing credits, etc.”

–Association of Bay Area Governments

“IZ policies typically require developers to set aside a proportion of units in market-rate residential developments to be made affordable for lower-income households in exchange for development rights or zoning variances. These policies are considered “inclusionary” because they are intended to allow lower- and moderate-income households to buy or rent property in middle- and upper-income communities.

–Owen Deutsch

## PLANNING CONSIDERATIONS

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- 1) Does your community have a housing plan?
- 2) Why adopt an inclusionary zoning ordinance or bylaw? What do you want to accomplish with it?

- 3) What are the housing needs in your community? Why do you think inclusionary zoning will help to address those needs?
  - Very-low, low- and moderate-income households
  - What about middle-income households?
- 4) What types of projects will be subject to your inclusionary zoning requirements? When and where will the ordinance/bylaw apply?
- 5) Do you want affordable units within the development (“inclusion units”)? What is your community willing to offer in order to get inclusion units?
  - Additional market-rate units
  - Streamlined review and decision process
  - Fee waivers
  - Cash subsidies
  - Transfer credits
  - Other?
- 6) Are you willing to consider off-site units? How will you evaluate proposals for off-site units?
  - Housing quality (e.g., age, condition, location)
  - Proximity to other affordable housing?
  - Other?
- 7) Should your ordinance/bylaw allow developers to pay a fee in lieu of affordable units?
  - How will fee be calculated? By whom?
  - When will the developer have to pay it?
  - What will your community do with the fund? Who will manage the fund?
  - Should it be harder for a developer to pay a fee than create affordable units?
- 8) How important is it for the units to “count” on the Subsidized Housing Inventory?
  - Eligible incomes
  - Marketing and local preference
  - How long must the units remain affordable?
  - Who will monitor the affordability restrictions?

## LEGAL CONSIDERATIONS

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- 1) Home Rule Amendment
- 2) Chapter 40A
- 3) Uniformity Clause
- 4) Special Permits
- 5) By Right?
- 6) Impact Fees

- 7) *Wall Street Development Corp. v. Planning Board of Westwood* (2008)
- 8) *Nollan v. California Coastal Commission* (1987)
- 9) *Dolan v. City of Tigard* (1994)
- 10) *Koontz v. St. Johns River Water Management District* (2012)

## SUGGESTIONS

---

- 1) If you have a valid housing plan, design inclusionary zoning as a tool for housing plan implementation.
- 2) If you don't have a valid housing plan, prepare one first – work on inclusionary zoning second.
- 3) Talk to your local developers! Seek their input; take their suggestions seriously.
- 4) Balance meeting local needs against getting to the 10 percent statutory minimum under Chapter 40B.
- 5) Make it easier/more attractive to create inclusion units than to pay a fee in lieu of units
- 6) Consider the pro's and con's of cash payments (in lieu of affordable units):
  - Many developers would rather pay the fee; easy to comply
  - Community can use revenue to invest in desired types of affordable housing, but -
  - Harder for local governments to create affordable housing
  - Formula for fees has to balance administrative simplicity with fairness to the applicant
  - Housing trust should have a business plan
  - Consider limiting cash payments to 50 percent of the required number of affordable units
- 7) Figure out the resources your community can bring to the table:
  - Public education
  - Lottery
  - Outreach
  - Cost offsets, e.g., reduced/waived water-sewer fees for affordable units, expedited permitting
  - Other?
- 8) Figure out the resources you need to make the ordinance or bylaw successful
  - Staff capacity
  - Public education materials
  - Housing trust
  - Monitoring

## EXHIBIT B

## **EXHIBIT B**

### **SUMMARY OF NEWSPAPER ARTICLES, AFFORDABLE RENTAL HOUSING**

#### Summary of Newspaper Articles

##### **Housing Squeeze on as market soars (I&M, 5/14/15, pg. 1)**

- Report shows only 36 percent of housing for year-round residents
- And so her search for housing began, ...the only lead Collins has had is a two-bedroom apartment for \$4,000 a month
- Only a third of housing on-island is for year-round residents
- Her [Judi Barrett] proposal is to build 240 units in 10 years by making better use of Chapter 40B

##### **Town needs to take lead in addressing seasonal housing shortage (I&M, 4/30/15, pg. 12A)**

- There are stories of people paying insane prices for a bed in a basement with a dirt floor
- The seasonal housing situation is Nantucket's dirty little secret. On an island where hedge-fund managers pay \$30,000 to \$50,000 a week for a luxury rental...others in the service industries are living in squalor.
- Nantucket's next big project as a community must be to address this need of housing for seasonal workers that is safe and affordable, and for year-round rental units that are affordable for the workforce.

##### **Solving Rubik's Cube of Affordable Housing (I&M, 6/25/15, pg. 15A)**

- On our current trajectory, we are squeezing out middle-class families, driving away young people, widening the wealth gap, and forcing many island workers to live in un-safe conditions.
- Massachusetts requires 10 percent of a town's year-round housing units to be affordable. To meet state guidelines Nantucket needs a total of 490 subsidized housing units. We have about 120 units, or 2.5 percent.
- Chapter 40B, known as the Comprehensive Permit Law, encourages the creation of affordable housing in towns where it is lacking.
- Creating rental housing through 40B and 40R development can allow Nantucket to make large gains on subsidized-housing requirements while providing housing to a wider range of earners.

- Land owners should consider how affordable housing could be suitable on their properties.
- With consistent effort, including embracing the capabilities of Chapter 40R and 40B, the colorful pieces of this puzzle will click into place.

#### **Squeezed off Nantucket (Boston Globe, 7/13/14, pg. K6)**

- Preservation rules and land trusts seek to maintain local character in an island paradise, but local people can't afford to live and work there
- Each year, dozens of families go without housing, unable to pay summer rents, which spike when the population swells to five times its year-round number. Many of Nantucket's residents must therefore rent on 10-month leases, becoming homeless over the summer. The problem is so pervasive, it sadly has a name: the Nantucket shuffle.
- Nantucket enacted some of the toughest zoning rules in America which, over the past four decades, have had the effect of turning it into a community for the very rich.
- Nantucket stands as the prime example of how excessive preservation can be just as much of a threat to local character as excessive development.

#### **Housing shortage worse than ever (I&M, 3/20/15, pg. 1)**

- Henry Sanford, 29, a sales and rental agent at Great Point Properties, said he believes his age group is largely affected by the housing crunch. If the trend continues, he said it may eventually hollow out the young middle class. "Without other options, there's not really much you can do," Sanford said, "but it's really kind of depressing because it's forcing the next generation off Nantucket, off the island."

#### **Affordable housing a community discussion (I&M, 6/25/15, pg. 14A)**

- As community members begin to focus individually and collectively on how we can provide more affordable housing we will be able to come up with a variety of solutions that will begin to provide some added supply for year-round and seasonal housing for our workforce over the next decade.
- A number of ideas were floated that deserve further study.
- Provide tax incentives for developers to create below-market-rate housing.
- Change height restrictions in some areas so three-story apartment buildings can be possible

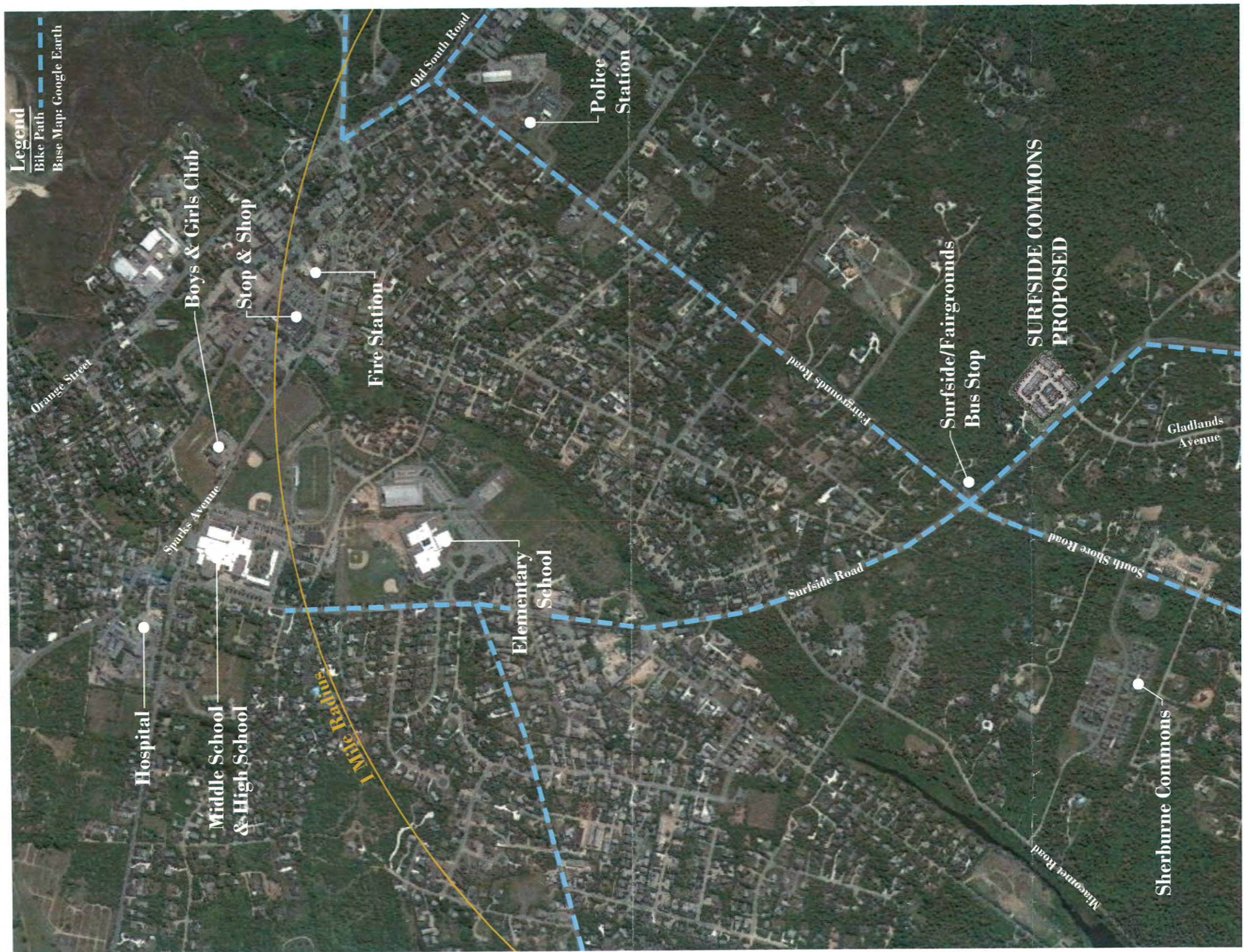
**NPD finding it costly to hire, retain police officers (I&M, 6/5/14, pg. 7A)**

- The Nantucket Police Department has a costly problem: it often invests \$80,000 in training and equipping new officers only to see them leave in three years, sometimes less.
- Town departments across the island sometimes have trouble retaining experienced professionals due to the high cost of living and scarcity of affordable housing options.
- Since I've been here I haven't seen any new officers get any housing permanently.
- They can't find permanent housing, whether just for themselves or for a new family.
- From FY 2011 through the current fiscal year, 18 officers have resigned.

## **EXHIBIT C**

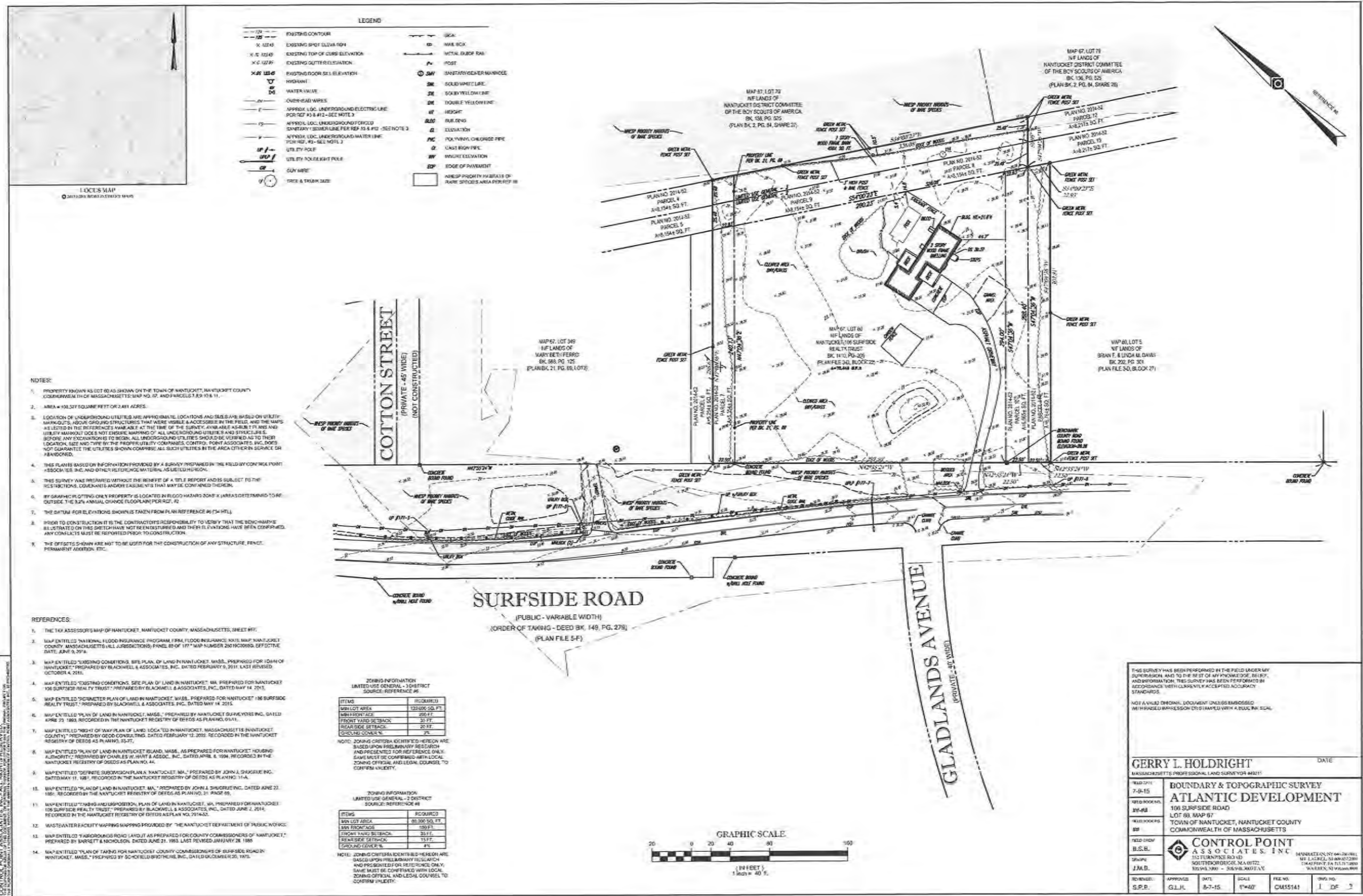
Existing conditions plan, site plans, landscape plan, and Google Earth GIS plan





**Legend**

- Bike Path
- Base Map: Google Earth



- NOTES:
1. PROPERTY SHOWN AS LOT 60 AS SHOWN ON THE TOWN OF NANTUCKET, NANTUCKET COUNTY, MASSACHUSETTS MAP NO. 17, AND PARCELS 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11.
  2. AREA = 101,517 SQUARE FEET OR 2.31 ACRES.
  3. LOCATION OF UNDERGROUND UTILITIES ARE APPROXIMATE LOCATIONS AND SIZES ARE BASED ON UTILITY MARKINGS, ABOVE GROUND STRUCTURES THAT WERE VISIBLE AND ACCESSIBLE IN THE FIELD, AND THE MAPS AS LISTED IN THE REFERENCES AVAILABLE AT THE TIME OF THE SURVEY. ANY AND ALL UTILITY MARKINGS DO NOT ENSURE MAPPING OF ALL UNDERGROUND UTILITIES AND STRUCTURES. BEFORE ANY EXCAVATIONS TO BEGIN, ALL UNDERGROUND UTILITIES SHOULD BE LOCATED AND TO THEIR LOCATION, SIZE AND TYPE BY THE PROPER UTILITY COMPANIES. CONTROL POINT ASSOCIATES, INC. DOES NOT GUARANTEE THE UTILITIES SHOWN COMPRISE ALL SUCH UTILITIES IN THE AREA OTHER IN SERVICE OR ABANDONED.
  4. THIS PLAN IS BASED ON INFORMATION PROVIDED BY A SURVEY PREPARED BY CONTROL POINT ASSOCIATES, INC. AND OTHER REFERENCE MATERIAL AS LISTED HEREON.
  5. THIS SURVEY WAS PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND IS SUBJECT TO THE RESTRICTIONS, COVENANTS AND EASEMENTS THAT MAY BE CONTAINED THEREIN.
  6. BY GRAPHIC PLOTTING ONLY PROPERTY IS LOCATED IN FLOOD HAZARD ZONE X (AREA DETERMINED TO BE OUTSIDE THE 1% ANNUAL CHANCE FLOOD PLAIN) PER REF. 10.
  7. THE DATUM FOR ELEVATIONS SHOWN IS TAKEN FROM PLAN REFERENCE #6 (M.H.T.L.).
  8. PRIOR TO CONSTRUCTION IT IS THE CONTRACTOR'S RESPONSIBILITY TO VERIFY THAT THE INFORMATION LISTED ON THIS DITCH MARK NOT BE OBTAINED AND THEIR ELEVATIONS HAVE BEEN CORRECTED. ANY CORRECTIONS MUST BE REPORTED PRIOR TO CONSTRUCTION.
  9. THE OFFSETS SHOWN ARE NOT TO BE USED FOR THE CONSTRUCTION OF ANY STRUCTURE, FENCE, PERMANENT ADJUNCTION, ETC.

- REFERENCES:
1. THE 100 ASSESSOR'S MAP OF NANTUCKET, NANTUCKET COUNTY, MASSACHUSETTS, SHEET 101.
  2. MAP ENTITLED "NANTUCKET FLOOD INSURANCE PROGRAM, FIRM FLOOD INSURANCE RATE MAP, NANTUCKET COUNTY, MASSACHUSETTS (ALL JURISDICTIONS), PANEL 89 OF 107" MAP NUMBER 200 H000000, EFFECTIVE DATE, JUNE 9, 2014.
  3. MAP ENTITLED "EXISTING CONDITIONS, SITE PLAN, OF LAND IN NANTUCKET, MASS., PREPARED FOR PLAN OF NANTUCKET, PREPARED BY BLACKWELL & ASSOCIATES, INC., DATED FEBRUARY 9, 2011, LAST REVISED OCTOBER 4, 2011.
  4. MAP ENTITLED "EXISTING CONDITIONS, SITE PLAN OF LAND IN NANTUCKET, MA, PREPARED FOR NANTUCKET 106 SURF SIDE REALTY TRUST, PREPARED BY BLACKWELL & ASSOCIATES, INC., DATED MAY 14, 2015.
  5. MAP ENTITLED "PROPOSED PLAN OF LAND IN NANTUCKET, MASS., PREPARED FOR NANTUCKET 106 SURF SIDE REALTY TRUST, PREPARED BY BLACKWELL & ASSOCIATES, INC., DATED MAY 14, 2015.
  6. MAP ENTITLED "PLAN OF LAND IN NANTUCKET, MASS., PREPARED BY NANTUCKET SURVEYORS INC., DATED APRIL 23, 1983, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 0111.
  7. MAP ENTITLED "1983-1 OF WAY PLAN OF LAND, LOCATED IN NANTUCKET, MASSACHUSETTS IN NANTUCKET COUNTY," PREPARED BY GEO CONSULTING, DATED FEBRUARY 13, 2005, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 3347.
  8. MAP ENTITLED "PLAN OF LAND IN NANTUCKET ISLAND, MASS., AS PREPARED FOR NANTUCKET HOUSING AUTHORITY, PREPARED BY CHARLES W. HART & ASSOC., INC., DATED APRIL 8, 1994, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 44.
  9. MAP ENTITLED "DEFINITE SUBDIVISION PLAN, NANTUCKET, MA," PREPARED BY JOHN A. SHUGRUE INC., DATED MAY 11, 1981, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 114.
  10. MAP ENTITLED "PLAN OF LAND IN NANTUCKET, MA," PREPARED BY JOHN A. SHUGRUE INC., DATED JUNE 22, 1981, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 31, PAGE 85.
  11. MAP ENTITLED "TRANS AND DISPOSITION, PLAN OF LAND IN NANTUCKET, MA, PREPARED FOR NANTUCKET 106 SURF SIDE REALTY TRUST, PREPARED BY BLACKWELL & ASSOCIATES, INC., DATED JUNE 2, 2014, RECORDED IN THE NANTUCKET REGISTRY OF DEEDS AS PLAN NO. 2014-02.
  12. WASTEWATER FACILITY MAPPING PROVIDED BY THE NANTUCKET DEPARTMENT OF PUBLIC WORKS.
  13. MAP ENTITLED "FABRICATING ROAD LAYOUT AS PREPARED FOR COUNTY COMMISSIONERS OF NANTUCKET, PREPARED BY BARRETT & MCKENNA, DATED JUNE 21, 1981, LAST REVISED JANUARY 28, 1985.
  14. MAP ENTITLED "PLAN OF TOWN OF NANTUCKET COUNTY COMMISSIONERS OF SURF SIDE ROAD IN NANTUCKET, MASS., PREPARED BY SCOTT BELLERUP INC., DATED MARCH 16, 2010.

ZONING INFORMATION  
LIMITED USE GENERAL - 3 DISTRICT  
SOURCE: REFERENCE #1

ITEMS	REQUIRED
MIN LOT AREA	123,000 SQ. FT.
MIN FRONT YARD SETBACK	25 FT.
MIN SIDE YARD SETBACK	25 FT.
MIN REAR YARD SETBACK	25 FT.
MIN FRONT PORCH	25 FT.

NOTE: ZONING CRITERIA IDENTIFIED HEREON ARE BASED UPON PRELIMINARY RESEARCH AND PRESENTED FOR REFERENCE ONLY. SAME MUST BE CONFIRMED WITH LOCAL ZONING OFFICIAL AND LEGAL COUNSEL TO OBTAIN VALIDITY.

ZONING INFORMATION  
LIMITED USE GENERAL - 3 DISTRICT  
SOURCE: REFERENCE #1

ITEMS	REQUIRED
MIN LOT AREA	80,000 SQ. FT.
MIN FRONT YARD SETBACK	150 FT.
MIN SIDE YARD SETBACK	25 FT.
MIN REAR YARD SETBACK	15 FT.
MIN FRONT PORCH	4 FT.

NOTE: ZONING CRITERIA IDENTIFIED HEREON ARE BASED UPON PRELIMINARY RESEARCH AND PRESENTED FOR REFERENCE ONLY. SAME MUST BE CONFIRMED WITH LOCAL ZONING OFFICIAL AND LEGAL COUNSEL TO OBTAIN VALIDITY.

THIS SURVEY HAS BEEN PERFORMED IN THE FIELD UNDER MY SUPERVISION AND TO THE BEST OF MY KNOWLEDGE, BELIEF, AND INFORMATION, THIS SURVEY HAS BEEN PERFORMED IN ACCORDANCE WITH CURRENTLY ACCEPTED ACCURACY STANDARDS.

NOT A VALID ORIGINAL DOCUMENT UNLESS EMBOSSED WITH RAISED IMPRESSION OR STAMPED WITH A BLUE INK SEAL.

**GERRY L. HOLDRIGHT**  
MASSACHUSETTS PROFESSIONAL LAND SURVEYOR #40211

DATE: 8-7-15

**BOUNDARY & TOPOGRAPHIC SURVEY**  
**ATLANTIC DEVELOPMENT**  
106 SURF SIDE ROAD  
LOT 60, MAP 67  
TOWN OF NANTUCKET, NANTUCKET COUNTY  
COMMONWEALTH OF MASSACHUSETTS

**CONTROL POINT ASSOCIATES, INC.**  
101 SURF SIDE ROAD  
NANTUCKET, MA 02541  
TEL: 508.226.1111  
FAX: 508.226.1112  
WWW.CPA-MA.COM

REVIEWED: S.P.B. APPROVED: G.L.H. DATE: 8-7-15 SCALE: 1"=40' FILE NO: CM55141 PWS NO: 1 OF 2



**Know what's below.  
Call before you dig.**

PARCEL IS LOCATED IN THE LUG-2 ZONING DISTRICT, (LUG-3 ZONING DISTRICT AND THE LOWER NANTUCKET WELLHEAD PROTECTION DISTRICT (DEP ZONE IIA).

**APPROXIMATE AREA CALCULATIONS:**

- A. TOTAL LOT AREA = 108,526 S.F.
- B. TOTAL BUILDINGS FOOTPRINT AREA = 28,750 S.F. (26%)
- C. TOTAL PARKING SPACE AREA = 15,138 S.F. (15%)
- D. TOTAL PAVED DRIVEWAY AND ACCESS VIEWS = 31,170 S.F. (29%)
- E. TOTAL PAVED AREA = 47,368 S.F. (44%)
- F. REMAINING OPEN SPACE AREAS = 32,470 S.F. (30%)

**PARKING:**

- A. TOTAL PROPOSED HOUSING UNITS = 60 UNITS
- B. TOTAL PROPOSED PARKING SPACES = 31 SPACES (INCLUDING HANDICAP)
- C. RATIO OF PARKING SPACES TO UNITS = 1.5 SPACES PER UNIT

THIS PLAN HAS BEEN PREPARED BASED ON REFERENCES INCLUDING  
- PLAN ENTITLED "BOUNDARY & TOPOGRAPHIC SURVEY" PREPARED BY CONTROL  
POINT ASSOCIATES, INC. DATED JULY 14, 2015.

[illegible]

REVISIONS			
REV.	DATE	COMMENT	BY
1			
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PRELIMINARY

PROJECT No.	W-411
DRAWN BY	CR
CHECKED BY	JG
DATE	07/09/01
SCALE	AS NOTED
CAD I.D.	W-411498BC

PROJECT

**CONCEPT  
PLAN**

—FOR—

**SURFSIDE  
COMMONS**

**ATLANTIC  
DEVELOPMENT**

LOCATION OF SITE  
106 SURFSIDE ROAD  
TOWN OF NANTUCKET  
NANTUCKET COUNTY  
MASSACHUSETTS

 **BOHLER**  
ENGINEERING

352 TURNPIKE ROAD  
SOUTH BOROUGH, MA 01772

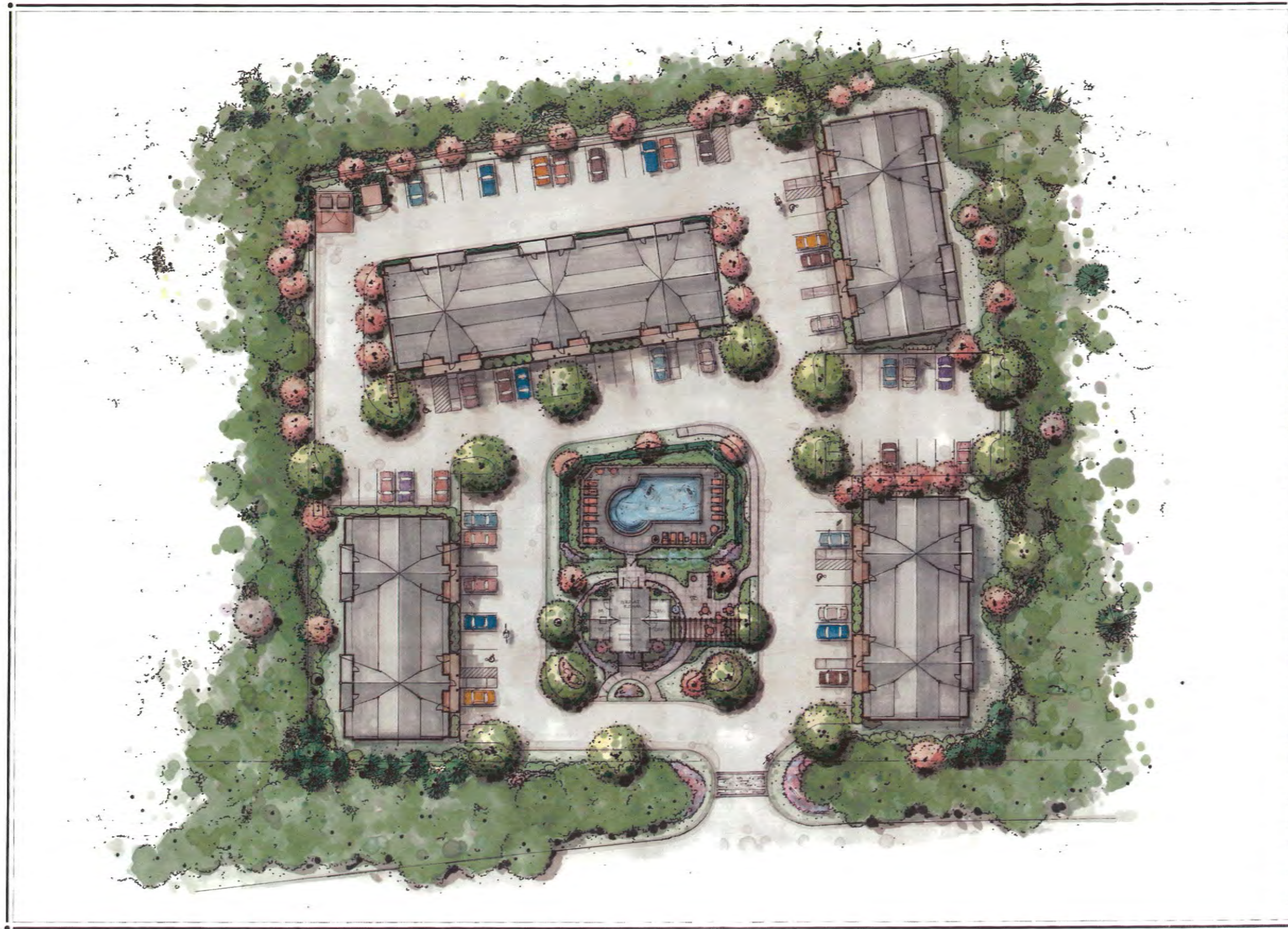
Phone: (508) 480-9900  
Fax: (508) 480-9080  
[www.BohlerEngineering.com](http://www.BohlerEngineering.com)

W.D. GOEBEL

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NEW JERSEY LICENSE No. 9003  
NEW YORK LICENSE No. 071284-1  
FLORIDA LICENSE No. 68283

## GRADING & LAYOUT CONCEPT

SHEET NUMBER  
1  
OF 1  
REV 1-08/01/15





**Hawk Design, Inc.**  
 Landscape Architecture  
 Land Planning  
 Sagamore, MA  
 508-533-8800  
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[www.hawkdesigninc.com](http://www.hawkdesigninc.com)



Date: 7/24/15  
 Revisions:  
 1. 2/1/2017

**Surfside Commons**  
 Nantucket, Massachusetts

Davis, BL    Cooper, DR

Conceptual  
 Landscape  
 Plan

Scale: 1" = 20'-0"

Sheet: **L1**

EXHIBIT E

Rental Market Feasibility

# **NANTUCKET, MA**

**MARKET UPDATE- 2015**



July 2015

Prepared for D.J. MacKinnon  
Atlantic Development  
Hingham, MA

Prepared by  
John Ryan  
DEVELOPMENT CYCLES  
East Montpelier, VT

## I. SUMMARY OF FINDINGS

In 2014, Atlantic Development of Hingham, MA engaged consultant John Ryan, Principal of Development Cycles in East Montpelier, Vermont to evaluate the feasibility of a 32-40 unit, mixed-income rental development in Nantucket, MA. What follows represents a market update that reassesses the feasibility of the project based on new information available since last year. The consultant intends that this update be read in conjunction with the original study dated July 2014.

To some extent, what has changed is that the data has begun to catch up with the conditions on the ground in Nantucket. New American Community Survey and Labor Market information show increases in young adults, local jobs, renter households, renter income, and ownership costs, that have placed severe demand pressures on the island's limited supply of year-round rental housing. New data on what renters are currently paying suggests that market rents are higher than estimated in the 2014 study.

The consultant finds that there continues to be a clear demand for as many as 50-60 units of rental housing. In light of the continued rental housing shortage, any resistance to the concept of an apartment complex or to a mix of market-rate and income-restricted units, seems moot.

The only big **caveat** to an otherwise encouraging market update comes from the recently submitted plan by developer Phil Pastan for a huge 40B development off Old South Road. This 35-acre mid-island project calls for 264 apartments and 105 single-family homes. Accounting for 15% of existing rental supply, the project, if built, would dramatically reshape the island's rental housing supply. If it came on line at the same time as the subject property, all bets would be off regarding the new rent caps and absorption rates projected.

That said, the demand for units priced for and restricted to renters at 80% of Area Median Income continues to grow with the increases in younger households and lower paying jobs. Even with the potential for substantial new rental developments at 2 Fairgrounds Road and on Old South Road, the absorption of any subsidized units should be virtually assured before construction of units is complete. Demand for the market rate units will continue to vary based on rent levels.

The figure below shows the difference between the consultant's 2014 projection and the July 2015 updated projection of demand as a function of cost. The consultant's new recommendations assume that the Atlantic Development project will be completed before either the 2 Fairgrounds Road or the Old South Road projects get built, and further assumes that the Old South Road project will end up with no more than 100 rental units when all is said and done.

Figure 1  
**Updated Market Rate Rental Demand**  
As a Function of Gross Rent, Nantucket, 2015

	40B Units		Mid-Level Pricing		High-End Pricing	
	Rent Level	Absorption Projection	Rent Level	Absorption Projection	Rent Level	Absorption Projection
One-Bedroom	\$1,495	Pre-leased with Waiting List by 1 <sup>st</sup> Occupancy	\$1,850	8 units/ month	\$2,250	4-5 units/ month: Represents the top of the market
Two-Bedroom	\$1,795		\$2,325		\$2,800	
Three- Bedroom	\$2,075		\$2,700		\$3,250	

*Compare to 2014 Report*  
*Market Rate Rental Demand for Proposed Development*  
*As a Function of Gross Rent, Nantucket, 2014*

	If Priced for 80% of AMI		If Priced for 100% of AMI		If Priced for 120% of AMI	
	Rent Level	Absorption Projection	Rent Level	Absorption Projection	Rent Level	Absorption Projection
One-Bedroom	\$1,378	Pre-leased with Waiting List by 1 <sup>st</sup> Occupancy	\$1,728	6-8 units/ month Optimal Range	\$2,125	3-4 units/ month: Pushing the top of the market
Two-Bedroom	\$1,654		\$2,126		\$2,550	
Three- Bedroom	\$1,909		\$2,455		\$3,060	

These projections represent increases averaging \$125/ month for one-bedroom, and \$200-\$250/ month for two- and three-bedroom units compared to the 2014 study.

The 2014 Recommendations regarding target market segments and design approach have not changed in the interim.

## II. DEMOGRAPHIC UPDATE

The following highlights key new demographic information that impacts the demand for rental housing on Nantucket:

- According to the ACS, Nantucket's 20-34 year old population is up by 150 persons or 7.9% since 2010. That represents nearly twice the rate of increase experienced by the Commonwealth over the period. Their demands for housing are pushing up the bottom of the market.
- The ACS showed a 231 household increase among renter households between its 2013 and 2012 survey alone, and a 424 household increase in renter households from its 2010 Survey<sup>1</sup>. Given that the Island's rental vacancy rate was only 2.2% in 2010, the new data confirms what most prospective renters know, that just as was the case in 2014, there is virtually no housing on the Island available for year-round rent.

*1 Since its inception, the ACS survey has consistently underreported Nantucket's population, households and renter households compared to the 2010 US Census 100% count. The consultant's interpretation of the data is that the actual renter population is up to full occupancy at roughly 1,750 households.*

- ACS data shows the percent of Nantucket renters who earn at least \$75,000 increasing from 34% to 38% of all renter households between the 2009 and 2013 survey. This suggests that the number of such renter households now totals roughly 665 not the 596 projected in the 2014 study.

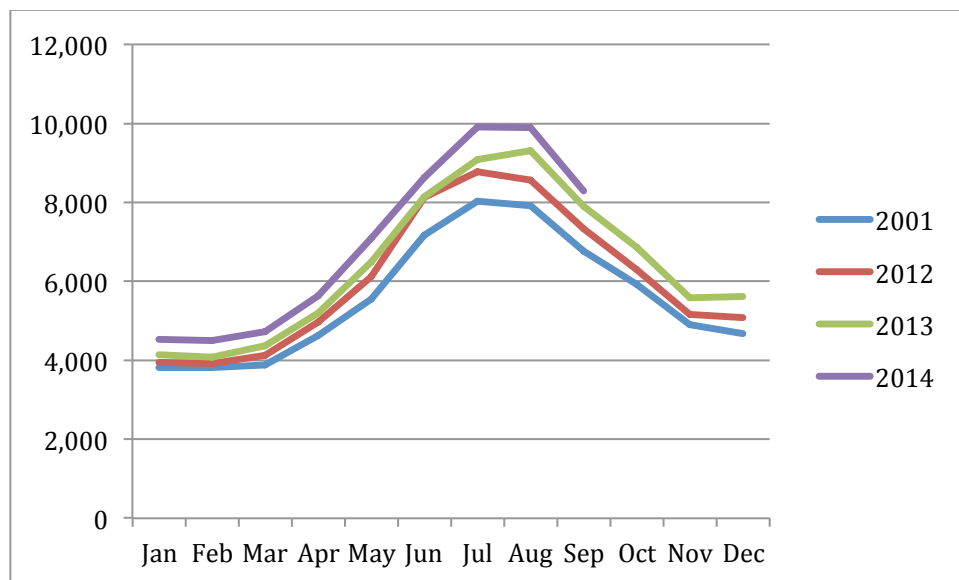
**The sum of the new demographic information suggests that household and household income growth, when placed against a continued background of unreachably high ownership costs and no new rental supply, has absorbed all of the available year-round rental housing on the Island and is applying significant upward pressure on pricing.**

### III. ECONOMIC CONDITIONS UPDATE

The following summarizes key economic data as it impacts the demand for rental housing on Nantucket.

- Local jobs on the Island rose dramatically on a month-to-month and annual basis from 2013 to 2014. The one-year increase averaged 391 jobs or a 9.1% increase from the prior year for the winter months (Jan-Mar), with an average increase of 621 jobs or 6.2% for the summer months (Jun-Aug). These are huge year-to-year job increases for a market this small, and are clearly driving the demand for housing.

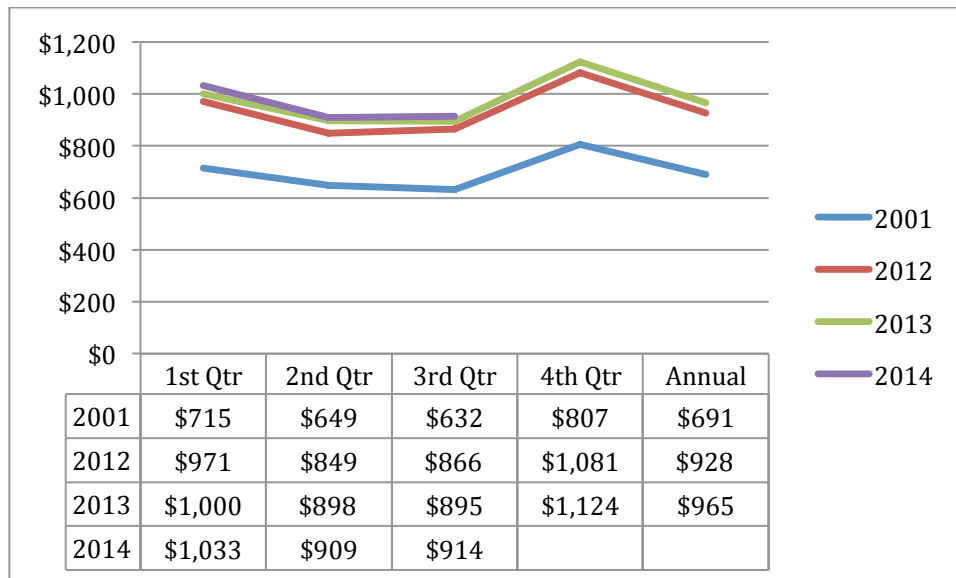
Figure 2  
**Local Jobs, Nantucket, Month-by-Month, 2001-2014**



SOURCE: MA Department of Employment & Wage Report (ES-202), July 2015

- Average Wages locally have also increased but not as rapidly as have jobs. The average 1<sup>st</sup> Quarter wage has increased by an average of 3.3%/ year since 2001 and by 3.4% from 2013-2014. Second Quarter wages increased by 1.2% from 2013 to 2014, compared to a 3.1% annual average since 2001. Third quarter wages increased by 2.1% from 2013 to 2014, compared to a 3.4% annual average since 2001.

Figure 3  
**Average Weekly Wage, Nantucket, Month-by-Month, 2001-2014**



SOURCE: MA Department of Employment & Wage Report (ES-202), July 2015

**The new economic data highlights that the driver behind rental housing demand is the accelerated pace of new local jobs. The decline in the growth of the average wage suggests that much of this new job growth is coming in lower wage jobs that limits the capacity to pay market rents.**

#### IV. MARKET CONDITIONS UPDATE

The following summarizes key changes in market conditions for rental housing on Nantucket between July 2014 and July 2015.

- Based on repeat interviews with Realtors, employers, landlords, housing professionals, and social service providers contacted in 2014, Development Cycles estimates that overall market rents on the Island are up between 6-8% from last year. The consensus view of respondents is that the severity of the rental housing shortage has increased from last year, when it was already at an all-time high.

Figure 4

**Current Market Rental Cost**  
Nantucket, July 2015

	One Bdrm	Two Bdrm	Three Bdrm
Market Median Rent	\$1,350 plus utilities	\$1,850 plus utilities	\$2,400 plus utilities
Upper Quartile Rent	\$1,625 plus utilities	\$2,150 plus utilities	\$2,700 plus utilities

**SOURCE:** Interviews with local landlords and housing professionals, June-July 2015

- The going rate for a three or four bedroom seasonal rental has jumped by roughly \$2,500 since last year alone, and now rents for \$32,500/ season. This is the kind of housing employers lease for their seasonal employees.
- Notwithstanding the new Sachem Path development, the options to move from renter to homeowner continue to be extremely limited for Nantucket residents. According to The Warren Group, median price of a single-family home sold in 2014 was \$1.1 million, up 29.4% from 2013. On May 31, 2015, only 20 of 260 homes on the market in Nantucket were priced below \$1 million.

**Current market rents are up between 6% and 8% from last year's rates. Home ownership costs are up nearly 30%. The vacancy rate was hovering near zero last-year and has not improved in the interim. The demand is stronger than it was last year. Median and Upper Quartile rents are \$125- \$200/ month higher than they were in July 2014.**

## V. UPDATE ON COMPETITIVE ENVIRONMENT

The Island still has no market-rate, multi-family rental complexes, so there are no true comparable developments for the project being proposed. That situation could change dramatically given developments that have taken place over the past couple of months. The following summarizes two potential new rental developments and one home-ownership project.

### *Old South Road*

- In June 2015, developer Phil Pastan of Richmond Great Point Development submitted a conceptual development plan for a 369-unit 40B development on a 35-acre, mid-Island parcel off Old South Road. The proposal calls for 264 units of apartments in 16 buildings along with 105 single-family homes. According to the news report, Richmond Great Point Development hopes to submit its plan to the state for 40B standing by the end of the summer. The scale of the rental component of the project dwarfs anything on the island and would represent 15% of the current rental stock. At this point, it is hard to know how serious this proposal is, how much resistance it will engender, and how long it will be before it could ever be built. Whether the prospect of this development will make another prospective 40B at the Atlantic Development property more or less palatable for the local ZBA is anyone's guess. In the consultant's estimate, either the proposal is a ploy for an easier route to a more favorable homeownership alternative or it will be the target of intense resistance island-wide and will come to frame the negative side of the debate over affordable housing on the island. The Surfside project's relationship to that debate could go a long way to determining its fate.



### *Two Fairgrounds Road*

- The 2015 Town Meeting in April unanimously approved Article 99 authorizing the Board of Selectmen to lease a six-acre town-owned parcel at 2 Fairgrounds Road to a private developer for affordable-housing purposes, including opportunities for seasonal and year-round town employees. Housing Nantucket, a non-profit housing advocate, is working with the Board of Selectmen to identify the scale and type of development in preparation for a Request for Proposals. According to Housing Nantucket's Executive Director, an advisory group is working with an architect to explore three development options. She believes that the Board is leaning towards a town-supported 40B development of 60-80 units of rental housing. The Board has plans to submit an RFP for developers in the fall of 2015. Occupancy for this development continues to be uncertain at this point, with a 2-3 year time horizon representing an optimistic timeline given the process envisioned.

### *Sachem Path (homeownership)*

- In June 2015, with much ballyhoo and substantial outreach, the Housing Assistance Corporation of Hyannis (HAC) conducted its lottery for residents to purchase the first 16 homes at Sachem Path in the Surfside neighborhood. Though the lottery generated sufficient local renters who qualified to purchase one of these deed-restricted units, only about 40 qualified applicants emerged from the more than 400 identified interested parties. HAC's Project Manager reported being underwhelmed by the response, and suggested that lack of credit-worthiness and high levels of unreported income may have self-limited

## **Nantucket, MA**

Rental Market Update- July 2015

many potential respondents. Housing Nantucket's ED thought that a daunting application process could explain some the relatively poor showing. Site work is currently underway, and HAC estimates first occupancy to occur in the spring of 2016.

**Phil Pastan's Old South Road 40B proposal potentially shifts the entire rental housing landscape, but it is too soon to know whether it is a serious proposal or a permitting ploy. The irony is that the Island could probably use that much new rental supply, though it is hard for the consultant to imagine that project coming to pass as conceived without a decade-long fight.**

## EXHIBIT F

### NANTUCKET NEIGHBORHOOD DENSITY ANALYSIS








## EXHIBIT F

### Nantucket Neighborhood Density Analysis

The proposed Surfside Commons neighborhood, with three 2 ½ story buildings and one 3 ½ story building is similar to other compact sustainable neighborhoods on the island.

The density of the proposed Surfside Commons neighborhood is + 28,921 SF of living area per acre, in the range of density and massing found in other parts of Nantucket. In fact there are a number of neighborhoods with density in excess of 30,000 SF of living area per acre, they also have average assessed home values above \$1 million per home. Examples of the neighborhoods are shown below, the figures for living area and assessed home value are taken from the Nantucket Assessor records.

AREA	Average SF Living Area per AC	Average Assessed Home Value
Broadway and Front St. 	37,965 SF/AC	\$1,106,408
India St, Center St, and Hussey St. 	31,749 SF/AC	\$1,718,953
No. Water St, Ash St, Center St, and Ash Ln. 	36,707 SF/AC	\$1,815,283
Orange St, Lyon St, Fair St, and Silver St. 	33,524 SF/AC	\$1,480,338
School St, Pine St, Lucretia Mott Ln and Fair St 	32,046 SF/AC	\$1,937,390